

Weekend

# FINANCIAL TIMES

Weekend FT

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WEEKEND DECEMBER 28/DECEMBER 29 1996

## Yen at 3½-year low against \$

Pound hits highest level since being ousted from the ERM

By Simon Kuper

The yen touched three-and-a-half-year lows against the dollar yesterday, hit by the slide in Tokyo stock prices brought on this week by worries over Japan's austere 1997 budget.

On a day of sharp movements in the currency markets, the pound soared to its highest level since it was ejected from the European exchange rate mechanism on "Black Wednesday" in September 1992, and the Swiss franc fell to a 37-month low against the D-Mark.

Foreign exchange traders said yesterday's changes were exaggerated by thin volumes, with many dealers on holiday. The yen fell because equity and currency traders feared that the budget approved by the Japanese cabinet on Wednesday could stall the country's tentative economic recovery.

Chase Investment Bank said:

"The weakness of the Japanese stock market does emphasise the limited options available to Japanese investors, and capital outflows can be expected to continue." Most economists expect Japanese interest rates to remain low.

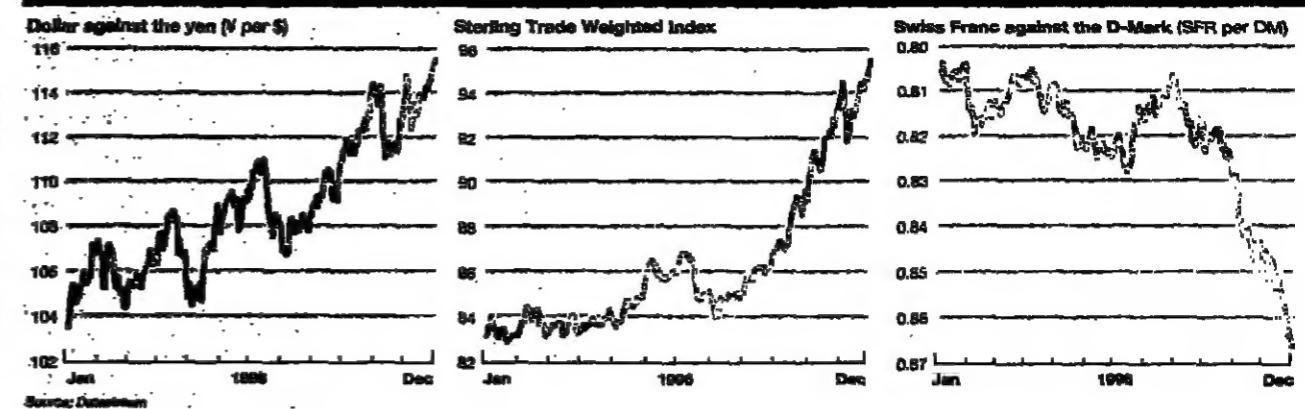
The yen closed at Y115.4 against the dollar in London, Y105 down on the day and Y15 below its close on Tuesday.

The pound, driven upwards by expectations that UK interest rates would rise next month, gained 2.8 pence against the D-Mark and 1.9 cents against the dollar to close in London at DM2.631 and \$1.622, respectively.

The Swiss franc fell from SF0.865 to SF0.867, its lowest level against the German currency since November 1993, on expectations that the Swiss National Bank would maintain its loose monetary policy.

The moves completed an unusual year in the foreign exchange markets. The yen

### The big currency surprises of 1996



and the Swiss franc, currencies that have traditionally tended to appreciate, have fallen, while sterling, whose value has traditionally been stable, has appreciated 13 per cent since early August.

The yen has dropped Y122 against the dollar since the start of the year, and the Swiss franc has lost almost 10 per cent of its value against the D-Mark. By contrast, the pound has gained 40.9 pence against the D-Mark and 14

cents against the dollar.

The Japanese and Swiss currencies have suffered because their central banks have kept interest rates low in bid to stimulate weak economies. Currency strategists had expected the Swiss franc to rise as German investors in particular sought a haven from the uncertainties of Europe's monetary union.

The flight from the currencies expected to join the euro has benefited sterling most, as

investors sought the high yields available on pound deposits.

The UK is at a stronger stage of the economic cycle than most other leading countries. Its interest rates are higher than most of its rivals, and expected to rise sooner.

Most UK economists predict that Mr Kenneth Clarke, the chancellor, will raise base rates from their present level of 6 per cent after his January 15 monetary meeting with Mr

Eddie George, the governor of the Bank of England.

Speculation that UK rates would rise was heightened on Monday by the release of the minutes of the October 30 monetary meeting. These showed that Mr George thought the 0.25 percentage point rise agreed then might be insufficient to bring down inflation to the government's target of 3.5 per cent.

Editorial Comment, Page 8

## Stock write-down by Sega prompts profits warning

Japanese electronic games group Sega Enterprises cut its forecast of annual profits to Y11bn (\$86.5m) from Y17bn after announcing a Y30bn extraordinary loss on its US business and massive stock write-downs of 16-bit game consoles. These have been hit by the popularity of 32-bit and 64-bit systems. The Tokyo Stock Exchange earlier suspended Sega's shares after they fell by Y50 to Y4,050. Page 24

**Clashes in Belgrade over poll results:** Serbian police attacked anti-government protesters in Belgrade after international observers ruled that the opposition had been robbed of victory in recent elections. Page 2

**Guatemala's guerrilla war ending:** The Guatemalan government is due tomorrow to sign a peace treaty with leftwing guerrilla leaders, ending the last and longest-running of Central America's ideological conflicts. Page 3

**Creditanstalt sale delayed:** Austria's finance ministry delayed the sale of Creditanstalt, the country's second biggest bank, and asked bidders to improve their offers. Page 2

**Call to widen South Korean strike:** South Korea's main trade union group called for a general strike to last until Wednesday as industrial action intensified against the country's new labour laws. Page 24

**FTSE Index slips from intra-day high**

**FTSE 100 Index**

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## NEWS: INTERNATIONAL

# TV group changes sides to score victory

A last-minute goal appears to have decided the outcome of a bitter contest between the Madrid government and Spain's biggest media group for leadership in satellite television broadcasting to the Spanish-speaking world.

It was scored by Antena Tres, a commercial station which this year bought the rights to televise most of Spain's first division clubs, against Telefónica, the national telecoms group, and RTVE, the state-controlled television network.

Over Christmas, it emerged that Antena Tres had defected from the Telefónica team, which planned to begin offering satellite services in March, and joined the opposing

Spanish broadcaster takes its soccer rights to opposing company in bid to clinch satellite deal, says Tom Burns

side, Sogecable, a digital TV company managed by Prisa, publisher of the best selling national newspaper *El País*, which is due to start broadcasting in the new year.

The switch by Antena Tres almost certainly hands the Spanish digital TV trophy to Sogecable because pay-per-view football is understood to be the cornerstone of the satellite broadcasting business in Spain. Without top soccer broadcasting rights, the Telefónica-led venture is unlikely to be viable.

The defection is an embarrassment for the government of prime minister Mr José María Aznar which unveiled an ambitious plan to deliver digital broadcasting to the Spanish-speaking world when it took office in May. It played a key role in timing up Telefónica, RTVE, and Espana, the state-owned satellite infrastructure, behind the venture and bringing aboard Antena Tres.

It is also a big blow for Telefónica, due to be fully privatised early next year with the sale of its remaining 21 per cent stake.

Telefónica, which has a 35 per cent stake and management control in the planned satellite broadcaster, was to have provided technology to the venture. RTVE, which had a 17 per cent stake in the digital venture, the same as Antena Tres had, said it would reassess its agreement with Telefónica. Under the government's original blueprint, RTVE was to have been the leading partner in the satellite initiative but it relinquished this role to Telefónica

because its conventional broadcasting business is deeply in debt.

Three months ago Sogecable, which already runs Canal Plus, a pay TV channel, which is 25 per cent owned by Canal Plus France, started legal action against Antena Tres alleging it had used unfair means to break its virtual monopoly over televising football.

Sogecable and Antena Tres have now pooled their football rights in a single company and Antena Tres is to become a minority shareholder in Sogecable's digital TV venture. Within a month Sogecable will be delivering around 20 channels beamed from France's Astra satellite and using a decoder developed by Canal Plus France.

## González team decides opposition was robbed of seats

# Clashes in Belgrade poll protest

By Paul Wood in Belgrade and agencies

Serbian police last night attacked anti-government protesters in the capital Belgrade, after international observers ruled that the opposition had been robbed of victory in recent elections.

The announcement, relayed by loudspeaker to about 80,000 opposition supporters in the city centre, at first sparked scenes of joy. They cheered the news, and jeered the hundreds of riot police blocking their way.

But later witnesses said police, some in plain clothes, used batons in street fights with the protesters. At least one person was beaten unconscious, and a man who said he was walking home from a medical conference received an open head-wound, eyewitnesses said.

Two foreign television crews were also attacked and had cameras smashed.

Demonstrators had gathered for their 38th day of protests since their victories over the ruling Socialist party (SPS) were annulled by the courts.

As they gathered in a city square, Mr Felipe González, the former Spanish premier, was announcing in Geneva the verdict of the observer

team from the Organisation for Security and Co-operation in Europe which he led.

He said the Serbian authorities should initiate opposition victories in 22 disputed municipal areas – including the nine that make up Belgrade. All sides should "comply with the will expressed at the polls by the citizens".

An opposition spokesman, Mr Slobodan Vukšanović, welcomed the decision by the observers, who were dispatched to Serbia last week at the invitation of President Slobodan Milošević. But he said the verdict was unlikely to sway the president.

Government officials emphasised recently that the OSCE recommendation would be non-binding. Yugoslavia's deputy foreign minister, Mr Zivković Jovanović, said the elections were "an internal matter".

Western observers said the Serbian leader had made a tactical blunder, which would increase international pressure on him to back down. But opposition officials said Mr Milošević was no longer listening to condemnation from abroad, and was preparing a crackdown.

The interior ministry has expressed concern about

maintaining free traffic in Belgrade, regarded by the opposition as a pretext for curbing anti-government protests. Students and members of Belgrade's disaffected middle class, who have turned out in their tens of thousands for the marches, are keen to avoid conflict with the police.

Weeks of processions through the centre of Belgrade ended on Thursday when police equipped with body armour, helmets, shields and truncheons forced demonstrators into a pedestrian square.

They also curtailed Friday's celebrations, preventing students from marching through the streets. The students walked in circles pretending to be prisoners, blowing trumpets and whistles and chanting anti-Milošević slogans as people began arriving for the main opposition demonstration scheduled for later in the day.

Clashes on Tuesday, when pro and anti-Milošević factions fought running skirmishes in the capital before police waded in to break them up, left at least 58 injured.

The US, Britain, Germany, France and Italy have criticised Mr Milošević and the SPS.



Student demonstrators taunt riot police during a demonstration in central Belgrade against election fraud. Violent clashes were reported later

# Italian business bars door to Mafia

Fledgling companies are being nurtured inside 'fortresses' in parts of the south

**S**mall businesses are being set up and nurtured inside "fortresses" in parts of southern Italy to protect them from organised crime.

Inside, they are like most other European business innovation centres (BICs). There are "incubator units" for small companies with centralised advisory, office and support services. Unlike their counterparts in other countries, however, the BICs in Catania in Sicily, Pozzuoli in Naples and Marcianise in Campania are protected by security fences, electronically controlled gates and closed circuit television.

"The Mafia always asks businesses to pay a tax," says Mr Giorgio Chimenti, chief executive of the Catania BIC. "If they do not, the business is attacked. The weapons of the Mafia are fire and the bomb. By growing small businesses inside a protected area we can help avoid this problem."

Applicants for factory space are screened carefully to prevent criminals setting up businesses inside the security ring.

One suspect company has been evicted from the Sicilian fortress, says Mr Romualdo Volpi, chief executive of Promozione e Sviluppo Imprenditoriale (PSI), the finance company for small and medium-sized enterprises owned by the government-backed Iri group.

The fortresses are part of a chain of BICs and CISIs (Centri Integrati per Sviluppo Imprenditoriale – integrated centres for enterprise development) being set up by SPI throughout Italy, many of them

backed with European Union funds.

Similar incubation centres were started in Trieste and Genoa seven years ago. The model is now being replicated nationally after small companies within them achieved survival rates of more than 90 per cent. The model has proved particularly useful for nurturing high technology businesses. Ten centres are open and up to 20 more are planned.

The BIC cannot protect entrepre-

neurs setting up in BICs and CISIs have to promise to move out after three or five years to make room for other newcomers. Mr Van Den Hende says secure industrial estates would be just as effective for mature businesses as new ones.

He also sees BICs and CISIs playing a wider role by demonstrating that entrepreneurship pays. Many able young Italians leave the south each year to set up businesses

Ian Hamilton Fazey reports on a successful and innovative campaign to keep the bad guys at bay

neurs when they go home at night, but Mr Chimenti says attitudes have changed since the days when no one in Sicily talked openly about the Mafia and most people claimed it did not even exist.

"Our policy is that if anyone comes and asks for money, we go to the police," he says. "The same will apply to entrepreneurs who set up here. In the past you needed a lot of courage to do this; in the past the Mafia was in the police and in the ranks of political leaders."

Mr Riccardo Van Den Hende, president of the association of small entrepreneurs in Marcianise, says: "The CISI are not exposed to criminality because the criminals have too little to gain by getting at the people inside when businesses are very small. We now need to create this style of protection outside."

Mr Eduardo Vestiti, a senior SPI

manager who left Rome for Naples to set up and run the Pozzuoli and Marcianise CISIs, says SPI is looking at creating industrial estates for BIC and CISI alumni. Apart from security, he thinks such a move would encourage mutually supportive clustering of similar or related businesses, which could pool some resources and carry out joint international marketing.

Apart from the difficulty of identifying whom they should put pressure on if they cannot get inside a secure centre easily, gangsters from the Camorra – the Neapolitan equivalent of the Mafia – may have also failed to move with the times. One of the most successful new businesses in the Pozzuoli CISI is a translation, interpretation and marketing company owned and run by five young female, unmarried linguists who met at university.

As one of them put it: "They may see us coming in and out, but they have no idea who we are and what we do. They almost certainly think we are secretaries, or perhaps researchers from the University of Naples. The idea of a business with a young woman *capo* is possibly beyond their imagination."

Not everyone is so concerned about crime. One Sicilian entrepreneur, who plans to start a high technology subsidiary of his 50-year-old family business in the Catania BIC, says: "Entrepreneurs have to be courageous anyway. It is all about risk wherever you do it. The real gamble is to try to develop a business here at all. Against that, the Mafia problem is exaggerated."

A merger of the two banks

would create one ranking about 30th in size in Europe and with a 25 per cent share of the Austrian market. The deal would give Bank Austria a near-monopoly in areas such as domestic investment banking and export finance.

The announcement came shortly after the European Commission said it had asked Austria to delete details of the Bank Austria bid.

Mr Klima is the third finance minister to attempt the sale in the past six years. Optimism that a deal was about to be clinched has faded in recent weeks as Bank Austria's bid has become mired in political controversy, threatening to bring down the government.

According to a Brussels official, Mr Karel Van Miert, the competition commissioner, requested more details about the bid last week. "We want to ensure everything conforms with EU state aid and competition rules," he said, adding that the approach was "routine".

The Bank Austria bid has fallen foul of the conservative People's party – coalition partner of Mr Klima's Social Democrats – backed by the main opposition Freedom party. They argue that the offer means renationalisation by the back door, since the majority of Bank Austria's shares are controlled by the public sector.

A merger of the two banks would create one ranking about 30th in size in Europe and with a 25 per cent share of the Austrian market. The deal would give Bank Austria a near-monopoly in areas such as domestic investment banking and export finance.

Credits from the European Bank for Reconstruction and Development to Ukraine are expected to increase to \$500m in 1997 from \$150m this year, Mr Yuri Polunayev, its director for Ukraine said yesterday. "In keeping with Ukraine's economic reform programme and creation of a comfortable investment climate, we could finance projects up to \$500m," he told a news conference. About 80 projects were ready for review.

He said the priorities of the bank – currently financing nuclear reactors to replace Chernobyl, hotel modernisation and construction of a new runway at Kiev's Boryspil airport – were "the energy sector, development of the financial sector, the communications sector, privatisation, and food packaging in the agriculture sector".

He added that the bank would decide in the first half of 1997 whether to buy a stake in Bank Ukraine, one of the country's five largest banks. "The main goal is to give Ukrainian banks the ability to give medium- and long-term loans."

Some 50,000 miners have gone on strike in 25 mines in the Donetsk and Luhansk basins in a protest against the non-payment of around \$500m in wages.

**Minister of EU talks of until electric**

### OBITUARY: MICHAEL BRUNO

# A driving force for financial stability

Michael Bruno, former Governor of the Bank of Israel and Chief Economist of the World Bank, died at his home in Jerusalem on December 26. He was 64.

Bruno was born in Hamburg, Germany, in 1932 and was taken to Israel at the age of one. After serving in the Israeli army, he studied mathematics and economics at King's College, Cambridge, graduating in 1956. After a few years in the Research Department of the Bank of Israel, he began graduate studies in economics at the Hebrew University, before moving to Stanford University, where he completed his PhD in two years.

From Stanford, he returned to the Bank of Israel and became Director of Research. In 1963 he

joined the faculty of the Department of Economics at the Hebrew University, of which he remained a member until his death.

Prof Bruno's early work was in trade and development, and later capital theory and growth. His interests gradually shifted to macroeconomic issues. He co-authored, with Jeffrey Sachs, one of the most influential macroeconomics books of the 1980s, *The Economics of Worldwide Inflation* (Harvard University Press, 1985).

Bruno's policy interests were reflected in his decision to begin his career at the Bank of Israel. In 1975 he served as a member of a committee on the reform of the Israeli tax system. In 1976 he became economic

policy adviser to the Israeli finance minister. From the early 1980s, with inflation rising, Bruno and others began to work on the design of a stabilisation programme. When Prime Minister Shimon Peres in 1985 decided to undertake a comprehensive stabilisation programme, he appointed a team of three insiders and two outsiders, one of them Bruno, to design the package.

Bruno was probably the dominant intellectual force in the team, which developed a heterodox programme that would start with a big cut in the budget deficit and devaluation, followed by a fixing of the exchange rate and a temporary price freeze. The programme worked. Inflation was soon down to between 20 and 30

per cent a year.

In mid-1986, Bruno was appointed Governor of the Bank of Israel. By the time he left office in 1991 the inflation rate was below 20 per cent and the economy was set for the rapid growth of the 1990s.

Bruno returned to the Hebrew University in 1991,

but in 1993 became Chief Economist of the World Bank, where he remained until November. He emphasised the Bank's role as a centre of knowledge and policy advice. He also argued that lending should be more selective and reward those who pursue good policies.

Michael Bruno's professional achievements were widely recognised. He was a Fellow and later President of the Econometric Society. He gave numerous important lectures, among them the Clarendon Lectures at Oxford and the Graham Lecture at Princeton, both in 1988. He was a Visiting Professor at different times at the Massachusetts Institute of Technology, Harvard, Stockholm, and the London School of Economics.

His Clarendon Lectures reveal the strong personal, intelligence and intellectual integrity that underlie his lifetime of achievement.

Stanley Fischer

President of the International Economic Association, an Honorary Foreign Member of the American Academy of Arts and Sciences and an Honorary Member of the American Economic Association. He was invited to give numerous important lectures, among them the Clarendon Lectures at Oxford and the Graham Lecture at Princeton, both in 1988. He was a Visiting Professor at different times at the Massachusetts Institute of Technology, Harvard, Stockholm, and the London School of Economics.

His Clarendon Lectures reveal the strong personal, intelligence and intellectual integrity that underlie his lifetime of achievement.

Antony Goldsmith, *Layton*

### INTERNATIONAL NEWS DIGEST

# Japan move in Lima siege

Japan said yesterday it was consulting other members of the Group of Seven industrialised nations on a possible international solution to the Peruvian hostage crisis.

"It is crystal clear that international society should not forgive terrorism," said Mr Yukihiko Ikeda, the Japanese foreign minister. "It is also necessary for international society to act to help resolve this crisis by setting free all the hostages peacefully and at an early date."

Besides other G7 members, Japan is also consulting Russia. President Boris Yeltsin proposed a joint approach, possibly involving anti-terrorist squads, in letters to the Peruvian and G7 governments earlier this week.

The situation at the besieged Japanese embassy in Lima was relatively unchanged yesterday, one day after the leftwing Tupac Amaru rebels released Guatemala's ambassador, in what was largely seen as a gesture to press their demands for a negotiated settlement with the government.

Mr Jose María Argüello said he gained his freedom because his government has just ended a 36-year civil war with leftwing guerrillas. The Tupac Amaru rebels want freedom for jailed comrades and an eventual role in Peruvian politics. *William Dauhoo, Tokyo, and agencies*

From hostage to celebrity, Weekend FT

### HK official seeks to reassure

Mr Michael Leung, head of Hong Kong's anti-corruption agency, yesterday cited personal reasons for his decision to step down in March, dismissing claims that the move is linked to the territory's transfer of sovereignty to China.

The head of the Independent Commission Against Corruption (ICAC) said he had told the government three months ago and had agreed to a three-month extension of his contract to help find a replacement.

This week's announcement that Mr Leung would not remain in his post through Hong Kong's return to China next July prompted speculation that he had been pressed to resign and raised concern that other senior government officials might leave. Leadership of the ICAC is considered a highly important post because of public fears of a rise in corruption after the handover.

Mr Leung rejected claims that Mr Tung Chee-hwa, appointed this month as the territory's first post-colonial governor, had sought a change at the top of the ICAC. "This is entirely a personal decision. It is totally unrelated to anything else."

He said he had achieved his objective of increasing accountability and transparency in the commission, and expressed confidence in its ability to counter corruption. Morale was "excellent". *John Riddick, Hong Kong*

### France curbs

## NEWS: INTERNATIONAL

# Last and longest guerrilla war ends

By Johanna Tuckman  
in Guatemala City

The Guatemalan government and leftwing guerrilla leaders will tomorrow sign a peace treaty ending the last and longest-running of Central America's ideological conflicts.

For the veteran rebels, signing the treaty means accepting that 36 years of armed conflict, in which 140,000 died, have won them little. For the generals, it means recognising the staying power of the URNG guerrillas and the force of international pressure for democracy and demilitarisation.

The treaty unites 10 partial peace accords negotiated and signed over three years. The commitments made range from respecting human rights to raising government tax revenues.

With a paper peace sealed, a diplomatic offensive in search of the cash needed to implement the accords will culminate in Brussels on January 22 at a meeting of potential funders arranged by the Inter-American Development Bank.

Mr Willy Zapata, central bank president, is confident that Guatemala's historically low external debt will encourage the international

community to look favourably on assisting the peace process.

Raising tax revenues is one of the few economic commitments contained in peace accords dominated by social and political priorities. The tax take is expected to reach barely 8 per cent of gross domestic product this year, dimly below the continental average of more than 20 per cent.

The accords leave production to the private sector and dovetail with the priorities of the pro-business modernising administration of President Alvaro Arzal.

Increased investment in health, education and community development in the poorest areas merges with projects aimed at strengthening and decentralising civilian government, professionalising the police and establishing a functional judicial system.

For many the attempts to end systematic discrimination against the Mayan Indian majority will be the most difficult to achieve, even trickier than a demilitarisation agreement accepted by military moderates.

The URNG's failure to negotiate significant reform of Guatemala's skewed land distribution, or any other

profound change in the balance of economic power, has deeply disappointed some on the left. But the guerrillas' military weakness has instilled a realism that encourages frustrated idealists to embrace the accords as they stand.

"Political and institutional changes will come before socio-economic improvements are felt by the majority," said URNG commander Pablo Monzuno, who joined the rebels when he was 15.

Mr Hugo Maul, a right-wing economist, said: "If I were a guerrilla, I would think: 35 years for this!" The softness of the agreements had calmed all but the most recalcitrant elements of the local private sector, he added.

This year, the local centre-right think tank, ASIES, estimates GDP growth of less than 2.5 per cent. Mr Pablo Martini, ASIES economist, is only cautiously optimistic about the much-trumpeted prospects for post-war private investment.

The end of the conflict will ease the climate of instability it created, but the war has not directly obstructed economic activity since the early 1980s, and peace is just one of the elements that investors take into account," he says.



A Catholic church destroyed by Moslem rioters in Tasikmalaya. Chinese-owned shops were also targeted

## Suharto plea for calm after ethnic riot

Indonesia's President Suharto yesterday appealed for tolerance after riots in a West Java town, where Moslem youths set buildings and churches ablaze. Reuter reports from Tasikmalaya.

Hundreds of troops patrolled Tasikmalaya, 200km south-east of Jakarta, after Thursday's violence, apparently sparked by a report of police

brutality towards a Moslem teacher.

The riots were the third in Indonesia this year. In October 25 churches and a temple were burned by Moslems near Surabaya in East Java, while Jakarta suffered its worst riots in two decades in July in violence triggered by political infighting.

Car showrooms, banks and stores owned by ethnic Chinese, as well as Christian churches, were the main targets. The Indonesian Legal Aid Institute said 13 churches and seven schools had been burnt.

President Suharto said the disturbances this year should strengthen the resolve of religious people "to maintain and strengthen the nation's unity and cohesion".

## Durable goods orders fall in US

By Nancy Dunnin  
in Washington

Weaker demand for computer parts and other electronic equipment produced an unexpected 1.6 per cent drop in US durable goods orders in November, the US commerce department said yesterday.

The news, suggesting a moderating economy, initially sent prices up on 30-year Treasury bonds with yields slipping from 6.58 per cent late on Thursday to 6.53 per cent in early trading. Analysts had expected the figures - considered an important measure of the manufacturing sector - to show a 0.5 per cent rise.

The \$2.9bn fall in new orders to \$171.8bn is the first decline since August. New orders are still 6 per cent up on November 1995.

Mr Jonathan Basile of HSBC Group, the international banking and financial services company, said the fall, while unexpected, was "not really a big deal". The 9 per cent drop in electrical equipment orders accounted for the entire decline, but it could be seen as partly reversing a 17 per cent rise in October.

"The US manufacturing sector will continue to grow," said Mr Basile. However, the recent rise in the dollar could hurt durable goods exports next year.

Orders for new transportation goods decreased slightly to \$41.8bn with all component industries except aircraft and parts increasing. Transportation equipment accounts for about one-quarter of total durable goods. Mr Basile said a large aircraft order by American Airlines, not part of the November report, would positively affect December's orders.

Meanwhile, in a sign of continued strength in employment, the labour department reported that new claims for jobless benefits fell by 15,000 last week to 335,000. Analysts had expected a 5,000 decline.

## China heads for fast but not so furious growth

By Tony Walker in Beijing

China's economic growth is likely to stay at about 10 per cent in 1997 while inflation hovers around this year's level of 6.5 per cent, according to western and Chinese economists.

Mr Fan Gang, director of the National Economic Research Institute of the China Reform Foundation, said the government would strive to preserve "stable economic conditions" next year in line with its aim of smoothing China's "boom and bust" economic cycles.

But Mr Fan also expected the authorities to allow a continued easing of credit restrictions in order to stimulate economic growth, which had shown signs of flagging in the first half of this year.

Both western and Chinese economists gave the government high marks for its management of the economy in 1996, especially its success in more than halving inflation from last year's 14.3 per cent.

Mr John Anderson, deputy chief representative of the International Monetary Fund, said 1996 had been "an extremely good year" for China in which it had exceeded expectations in meeting economic targets.

This success had been reflected in the stability of the exchange rate, the build-up of foreign exchange reserves, an export performance that was stronger than expected, and continuing strong growth in savings and investment.

China had also pressed ahead with financial sector reforms, including the introduction of limited open market operations and currency

convertibility on the current account from December 1.

Mr Anderson said the IMF did not view risks for China's economy in the next 12 months as "overly large", but a possible "downside" was the continued poor performance of the state sector, which would reduce growth.

Slower growth would increase pressure on the government to take further steps to stimulate the economy, risking inflation. The IMF saw potential dangers in the fact that China is "moving back into a growth cycle."

Real estate investment, for example, was strengthening after a downturn in 1995-96.

In China, real estate has been a barometer of boom and bust cycles.

Mr Pieter Bottelier, chief representative of the World Bank, expects greater emphasis in the future on productivity growth as investment slows and China's high domestic savings rates come down.

The private sector would also be required to play a greater role in financing infrastructure to overcome bottlenecks in China's economy, such as inadequate transport and a weak energy sector.

Mr Bottelier praised China's financial sector reforms, which had meant that "for the first time" since the reform process began in the late 1970s banks were beginning to behave like commercial institutions and not government fiscal agents.

Other promising developments included a record grain harvest for the second year in a row and "impressive" increases in the production of non-grain foodstuffs such as meat, poultry,

fruit and vegetables. China had also become a "very significant net food exporter".

Mr Fan of the National Economic Research Institute said a continuing build-up of inventories was casting a shadow over prospects for 1997, but stockpiles would also play a role in keeping inflation low.

The problem of bulging inventories was most acute in the automotive, housing and consumer products areas, such as TV. Economists estimate that the build-up accounted for about 1.5 per cent of GDP growth.

## German group plans cheaper Internet lines

By Alan Cane

Deutsche Telekom, Germany's privatised national telecommunications operator, may soon offer Britain's Internet users significantly cheaper "travel" on the information superhighway.

Europe's biggest telecoms operator is considering offering the high-speed system known as integrated Services Digital Network at about £70 (\$117) a connection compared with the £190 to 280 typically charged by British Telecommunications.

ISDN lines are designed to facilitate transmission of data at much

higher speeds than is possible over conventional telephone lines. Among the services that ISDN can offer are high-quality Internet access and voice telephony, audio and video conferencing, electronic data interchange and document image processing.

Deutsche Telekom is the world's biggest operator of ISDN facilities with more than 1.2m lines installed in Germany. With the opening of its home market to full competition in 1998, it is seeking opportunities abroad to sustain and develop revenues.

While ISDN lines are used in the UK mainly by businesses, the fast-

est growing segment of the market is the "ISDN 2" service, aimed at small to medium-sized businesses, branches of bigger organisations and residential users. Lower cost connections would be particularly welcome to Internet subscribers, of whom there are now \$35m in the UK. Lower charges could have a big effect in expanding the Internet market.

It is believed to have installed about 1m ISDN connections - three out of four of them higher capacity lines designed for bigger businesses. It estimates that one in four of its new business connections is an ISDN line and that the

ISDN business is growing at 100 per cent a year.

Deutsche Telekom heavily subsidises its ISDN connections in Germany. BT claims that 240 is the real cost of connection.

This year BT introduced a three-tier ISDN pricing strategy to make connection less of a burden for smaller companies. BT adds that while Deutsche Telekom subsidises connections, its call charges are much higher - making BT, in many cases, a more economical option.

Deutsche Telekom said this week that no decision had been made, that it had no licence to offer ISDN services at prices below BT's.

in the UK and that introducing such a service would mean investment on a scale that could be inconsistent with the group's need to reduce its still considerable debt.

The group would be unlikely to encounter difficulties in securing a full operator's licence in the UK, because it is the most open of the world's big telecoms markets.

Mercury Communications and Colt already offer ISDN services and a number of cable television operators, including Nyxen Cable-Comms, Diamond Cable and Tele-West, either offer or are planning to offer basic ISDN services at prices below BT's.

## UK NEWS DIGEST

### Schools suffer book shortages

The exam pass rate may be rising, but standards in more than 5,000 primary and secondary schools across England have been "adversely affected" by book or equipment shortages, according to Mr Chris Woodhead, the chief inspector of schools. Figures produced by Ofsted, the government's education watchdog, show that in 1994-95, the latest year for which statistics are available, 13 per cent of primary schools suffered from a shortage of books, 10 per cent from a shortage of equipment, and 6 per cent from a shortage of both.

For secondary schools, the figures were worse, with 23 per cent having a book shortage, 19 per cent having an equipment shortage, and 8 per cent having a shortage of both. The figures, revealed in a letter to Mr David Blunkett, the opposition Labour party's education spokesman, suggested that the shortage of books and equipment "had adversely affected the standards of lessons in 1993-94 and 1994-95". Mr Woodhead said. Extrapolating from the Ofsted figures, the Labour party has calculated that a total of 5,567 schools faced book and equipment shortages in 1994-95.

Simon Targett

## HOUSE PRICES

### Rise of 7% forecast for next year

House prices will rise on average by 7 per cent next year, well ahead of predicted general inflation, and the number of houses sold is expected to rise even faster, according to some of the biggest mortgage lenders. End of year forecasts - from the Halifax and Nationwide home loans groups and the Abbey National bank - should provide cheer for the government as it strives to boost the "feel-good factor" as the general election approaches.

Nationwide said prices since December last year had already risen on average by 8.5 per cent. Halifax, when it publishes its forecasts next Tuesday, is expected to predict a 7 per cent to 8 per cent average rise in prices next year. A separate survey of about 1,000 homeowners published today by Barclays Mortgages emphasises the strength of returning housing market confidence. Some 51 per cent of those questioned believed the value of their home would increase in the next 12 months, compared with 36 per cent at the beginning of this year.

Andrew Taylor

## TAXATION

### 144 days' work needed to pay bill

The average Briton will have to work every day from now until May 24 next year in order to satisfy the taxman - one more day than last year. The annual study published today by the Adam Smith Institute, the free-market think-tank, shows the average UK employee will earn enough to pay his or her taxes within 144 days in 1997. This is about three weeks later than in 1995, when all tax bills were paid before the end of April. But it is earlier than in 1995, when taxes could not be paid until June 1. In spite of the latest increase, the UK still has one of the lightest tax burdens in Europe.

The institute calculated that of the 15 members of the European Union, only the Spanish and Portuguese will be able to pay their tax bills before the British. The average German employee will earn enough to pay his or her taxes within 154 days. But the UK compares less well with countries outside the EU, such as the US and Japan. The average Japanese worker will earn enough to pay his or her taxes by April 21.

Graham Bowley

## Minister claims EU talks on hold until election

By George Parker, Political Correspondent

Serious negotiations on the future of the European Union have been put on hold until after the general election, Mr Malcolm Rifkind, the foreign secretary, claimed yesterday.

Mr Rifkind said other member states were delaying detailed talks on a successor to the Maastricht treaty in the hope that the opposition Labour party would win the general election.

His comments were seized on by Mr Robin Cook, Labour's foreign affairs spokesman, who said Mr Rifkind had admitted the ruling Conservatives were unable to work with the UK's European partners.

"He has shown why the Conservatives must not be re-elected," Mr Cook said. "By his own admission, the [Conservatives] cannot get an agreement in Europe."

Mr Rifkind, speaking on the BBC's *Today* radio programme, claimed a Labour government would sign up to further EU integration at the intergovernmental conference, while the Conservatives remained strongly opposed.

"I don't expect the negotiations to become really serious until after our election

on the issues where there is a difference between ourselves and the Labour party," he said. "Obviously what other European governments are waiting to see is, if there was a change in government in this country, then some of the demands from Brussels would simply fall into their lap. They would not need to negotiate."

"So obviously they will wait to see the outcome of the general election."

European leaders decided this month to defer decisions on more controversial aspects of the new treaty - dubbed Maastricht II - until 1997.

Mr Cook denied Labour would surrender British interests in IGC negotiations.

The IGC could be concluded by the Amsterdam summit next June, which takes place at least one month after the latest possible date for the general election, but many believe negotiations could drag on until the autumn.

Meanwhile, Mr Rifkind accepted there remained a "tremendous" political will, particularly in Germany and France, to achieve monetary union but stressed it still depended on the economic convergence criteria being met.

on financial advisers buying shares in target companies.

"If we ban such share purchases, it could be driven underground. There is a risk that it would simply be done by others with an association with the target company, such as suppliers or customers who would then expect a future reward," said Mr Defries.

The panel, however, has been criticised by some corporate financiers for not stamping out the controversial practice.

The managing director of corporate finance at one London investment bank said: "I don't think it is right that advisers should buy shares in companies with the specific aim of affecting the outcome of a bid. That is up to the existing shareholders."

Mr Defries is likely to assuage such complaints by reminding advisers when such share purchases are permissible under the take-over code.

"Our main sanction is criticism. But if there is evidence that the conduct of any of the parties fell short of what would normally be expected, then there are other regulators which might wish to take it further."

He hinted that the matter could be referred to the

Securities and Investments Board, the UK financial watchdog, if serious shortcomings were discovered.

Over the past week, Mr Defries has received a procession of advisers claiming, in the words of a spoof take-over code hanging outside his office, that "Everything done or said by the other side is tactics, whereas anything done or said by your side is in the interests of shareholders."

## COMPANIES AND FINANCE: UK AND IRELAND

# Costain £52m disposal plan wins approval

By Andrew Taylor,  
Construction Correspondent

Shareholders of the beleaguered Costain construction group yesterday approved plans to sell the company's remaining US coal and London property interests for £52m.

Only a dozen shareholders, most of them protesting against the controversial Newbury bypass, braved the cold to attend the extraordinary meeting at the London Arena on the Isle of Dogs.

Although 400 seats were arranged on the floor of the sports hall, shareholders were outnumbered by the Costain board members and security guards. They complained that the venue and timing of the meeting had been chosen to limit protests.

The sale of the US coal business and Costain's one-third share in Spitalfields, one of central London's last large development sites, was approved on a sparse show of hands.

Rencoal, a privately owned US mining corporation, has agreed to pay an estimated £34m (£20.7m) for the coal operations.

It would also assume

responsibility for \$13m of capitalised leasing obligations.

Metacorp of Malaysia, of which Intria, Costain's largest shareholder owns 22 per cent, has agreed to pay £23.4m for the Spitalfields interests.

Intria bought a 40 per cent stake in Costain this summer as part of a £73.6m rescue share issue.

Sir Christopher Benson, Costain's chairman, was criticised yesterday by shareholders for conducting a "fire sale". He said the company would continue to look for other buyers for its Spitalfields stake to see if it could obtain a higher price.

The London International Financial Futures and Options Exchange (Liffe) last week announced that it had agreed to enter into exclusive negotiations for the acquisition and development of the Spitalfields site which is jointly owned by BICC, the engineering group, Costain and SPP Real Estate (UK).

The shareholders' greatest anger was directed at Sir Christopher and Mr Alan Lovell, Costain's chief executive, who earlier this month announced they were resigning from the group.



Gathering winter fuel: a protesting Costain shareholder braves the elements

One of the few shareholders to decline any involvement with the Newbury protesters demanded that it had agreed to enter into exclusive negotiations for the acquisition and development of the Spitalfields site which is jointly owned by BICC, the engineering group, Costain and SPP Real Estate (UK).

The shareholders' greatest anger was directed at Sir Christopher and Mr Alan Lovell, Costain's chief executive, who earlier this month announced they were resigning from the group.

is on a two-year contract worth £180,000 a year. He will leave as soon as a successor is in place. Sir Christopher is to be replaced as chairman by Dr Azman Firdaus Shafiq, vice-chairman of Intria.

Dr Shafiq was introduced to yesterday's meeting but did not speak. An opportunity to get to know protesting shareholders better may arise on January 6 when Costain holds a second extraordinary meeting to dis-

cuss a technical breach of the UK Companies Act. Trading in shares in the group, which are currently suspended at 46p pending approval of the disposals, is then expected to resume.

The need for a meeting arose after net assets of the parent group of Costain fell below 50 per cent of its called up share capital.

Friends of the Earth is organising a Newbury bypass protest at the January 6 meeting.

## Laporte declares intent to expand

By Michael Lindemann

Mr Jim Lang, chief executive of the UK speciality chemicals company Laporte, yesterday said the group could spend more than £200m on acquisitions after it sold its European adhesives business for £110m.

"We will be in a more expansive mood next year, more on the front foot," Mr Lang said. "Not only will we feel more expansive but we will have the resources to be more expansive."

Laporte's sale of the European adhesives business to ELF Atochem, a subsidiary of France's ELF Aquitaine oil group, as reported in yesterday's Financial Times, left the company free to expand its core speciality chemicals and performance materials activities, he said.

Laporte's appetite for acquisitions will be increased because the adhesives sale eliminated the company's net debt of about £10m, down from £180m earlier this year.

Mr Lang said strong interest cover would enable Laporte to "go north of" its present £180m debt level when making acquisitions.

The European adhesives business had been sold, Mr Lang said, because with operating margins of between 8 and 9 per cent, it looked weak compared with Laporte's other divisions.

Overall, Mr Lang said Laporte had a operating margin of 11.9 per cent.

Laporte also said it had received "some interesting offers" for its US adhesives business.

Lazard Frères, the group's advisers, were looking at options. However, the coatings operations - where Laporte is one of the top three companies worldwide - is not for sale.

The sale of Laporte's European adhesives business will result in a goodwill write-off of about £50m and a net exceptional gain of about £25m.

The shares closed up 11p at 657p.

## NEWS DIGEST

### Subscribers to TeleWest surge

TeleWest Communications, the second largest cable company in the UK, has had a pre-Christmas surge in customers signing on for television and telecommunications services. In November, the number of new subscribers topped 25,000 in a month for the first time and it is believed that December has also reached 25,000.

The final quarter of the year is always the strongest period for signing up subscribers, but this looks like being the company's best performance so far.

The key factor in the improvement appears to have been the new combined telephone and television packages which were being offered in all TeleWest franchises by the final quarter of the year. In November Mr Stephen Davidson, TeleWest's acting chief executive, said that trials of the new subscription packages, Teleplus, had resulted in fewer disconnections, more customer satisfaction, and higher revenues per customer.

There have also been signs of improved performances at other cable companies, although the official figures for the final quarter of 1996 will not be published for some months.

REGGIE SHAW

### Johnson Fry disposals

Johnson Fry is selling its housing management and insurance broking businesses for £9.3m to a newly-formed company majority-owned by management, principally Mr Owen Husk.

Mr Husk will leave the Johnson Fry board without compensation for loss of office. The 2.25m ordinary shares owned by him and his associates will be acquired by an employee share ownership scheme funded by the company at a price of £2.4m, representing 107p per share.

Savills Finance Holdings, an arm of Savills, the chartered surveyor, is participating in the buy-out. Savills will pay £1.6m in return for a 25 per cent stake in the ordinary share capital and £1.4m of preference capital in a new holding company which will buy Johnson Fry Housing and Johnson Fry Insurance Services.

### Wellington makes \$8.5m buy

Wellington Holdings, which makes polymer-based products, is buying Dynamic Seals of the US for \$8.5m (£5.1m) cash. Wellington said the Michigan-based maker of fluid power system components would complement its existing operations in the US and Canada. It offered an excellent fit of product range with minimum customer overlap.

### NSM sells Clee Hill unit

NSM, the highly geared coalmaking group, announced on December 23 the conditional sale of its Clee Hill plant hire subsidiary to Serial Circuit, in a deal which would cut NSM's debt by about £5m.

Earlier in the day, shares in NSM, which said it had been in discussions with its bankers "regarding both its immediate and longer-term working capital requirements", were suspended at 8p at its own request, pending clarification of its financial position. It said that "a number of other significant disposals are in train". The group had gearing of 112 per cent at its March year-end.

NSM said it would receive net payments of £1.6m cash, while Serial Circuit would assume debt obligations of £3.4m. Clee Hill had a pre-tax profit of £540,000 on turnover of £3.8m for the year to March. On March 31, the net assets of Clee Hill were £3.97m.

Last month, NSM shares almost halved to 28p on the day it warned that it expected to make a loss in the half-year to September 30.

### Arthur Shaw calls EGM

Arthur Shaw, the building materials manufacturer, has called an extraordinary meeting in accordance with Companies Act rules which require a meeting if net assets are half or less of called-up share capital.

The company's shares have been suspended at 8p since October 1, pending publication of the report and accounts. The board has called the EGM for February 19, by which time it also hopes to have the accounts for the year to March 31 1996 ready.

### Superframe chief's share deal

Superframe, which designs and makes acrylic products, announced yesterday that Mr Andy Gilbert, chief executive, sold 445,000 shares in the company to Sagitas AG on December 20 at 10p each. The sale reduced his holding to 1.88m shares, or 24.9 per cent of the issued share capital.

Sagitas increased its holding to 2m, representing 25.7 per cent. Mr Gilbert has been granted an option by Sagitas to buy up to 400,000 ordinary shares of Superframe at 15p each. Superframe shares closed unchanged at 16p yesterday.

In the six months to June, Superframe lost £157,051 before tax (profit of £41,877) on reduced turnover of £1.3m (£1.7m). The company joined the market via a placing at 50p a share in March 1995. The shares' year high is 47p, their low 15p.

### Chez Gérard grants options

Three directors of Chez Gérard, the restaurant group, have been granted options, at the cost of £1, exercisable at 22p between December 11 1996 and December 11 2003. Ms Clare Whitley has been granted options on 111,500 ordinary shares of 25p, while Mr Laurence Isaacson and Mr Neville Abraham have 70,000 options each.

### Grafton buys Dublin property

Grafton Group has bought an investment property in Dublin for £5.8m. The property, a hotel trading as the Rathmines Plaza Hotel, is being sold by O'Dwyer Real Estate Company on a sale-and-leaseback basis. The property is subject to a 35-year lease to O'Dwyer, which will continue to operate the hotel. The consideration is financed by a £3m non-resource loan and £200,000 cash.

### Reunion Mining in gold loan

Reunion Mining has taken a gold loan, equivalent to £4.5m (£3.7m), from NM Rothschild & Sons for the development of the Dunrobin Gold Mine in Zambia. The loan will attract interest of about 5 per cent. Reunion will immediately to raise cash for the mine's development. The loan will be repaid in physical gold out of production. Gold reserves at Dunrobin amount to 1.13m tonnes of ore.

### Hillsdown sells cereal unit

Hillsdown Holdings is selling Barber Cheshiregate, a private label breakfast cereal company, to Dailycar, the UK breakfast cereal subsidiary of Bol's Wessanen, the Dutch drinks group, for an undisclosed cash sum. Barber Cheshiregate generates about £11m sales a year. Dailycar's share of the total UK breakfast cereal market will rise from 9 to 12 per cent.

### Nationwide Res placing

Nationwide Residential Properties, which is traded on Aim, plans to raise £469,019 before expenses through a placing and open offer of up to 888,368 ordinary shares. The offer is on a one-for-three basis at a price of 50p. The money will be used for diversification into financial services.

The company reported an interim pre-tax profit of £19,582 (£4,523) for the six months to September 30, on sales up from £73,161 to £101,588.

# Northern's small Entergy to borrow £1.25bn

By Michael Lindemann

Small shareholders in Northern Electric, the Newcastle-based electricity company that earlier this week failed to defeat a hostile bid from CalEnergy of the US, have been urged not to accept the US independent power producer's offer for the time being.

Mr Christopher Foot, Wood, head of the Northern small shareholders association, said yesterday shareholders "welcomed" the position taken by some of the institutions which were considering remaining minority shareholders.

"It's going to encourage small shareholders not to sell," said Mr Foot. "It's not over yet."

Northern's board was expected to make an announcement recommending CalEnergy's offer yesterday but failed to do so. A spokesman for the company said a statement would be forthcoming shortly.

## Fairey bid for Burnfield gets backing

By Tim Burt

Leading institutional shareholders in Burnfield, the measuring instruments maker, were yesterday said to have indicated their support for a £27.7m takeover offer from Fairey Group.

The specialist engineering company, which earlier this week increased its bid for Burnfield by 11.5 per cent, has received "informal assurances" that Burnfield's largest investors would accept its revised offer.

Under the new offer - worth 165p a share - Burnfield shareholders would receive 25 new Fairey shares for every 22 in Burnfield. It

represents a 65 per cent premium to Burnfield's closing price on December 16, the day before the launch of the

original £21.1m hostile bid. The terms were agreed at a meeting on December 24 between Charterhouse Bank, Fairey's advisers, and Merrill Lynch, acting for Burnfield.

A revised offer document is expected to be sent to Burnfield shareholders next week - but only if the group adjourns an extraordinary meeting scheduled for Monday.

day to approve its proposed £24m acquisition of LDS, a privately owned vibration equipment manufacturer.

Fairey has made clear that its offer will lapse if Burnfield proceeds with the LDS deal. However, the Burnfield board was yesterday said to be unable to recommend the revised offer because of contractual obligations involving LDS.

## New issues reach for record

This year will be a hard act to follow, says Christopher Price

T

he last in the current round of big government privatisations led a strong new issues market in 1996 as investors and companies took confidence from the generally favourable market conditions.

Uncertainty caused by the impending general election is likely to dampen the market in 1997, although analysts expect a flutter of flotations in the first quarter if the poll is delayed until the last moment in May.

Further privatisations of this magnitude are hard to foresee even if the Conservative party wins the forthcoming election. Since the sale of the state-owned oil, steel, telecommunications, gas, electricity, water and power generation businesses over the past 15 years, there is a lack of both financially attractive and politically palatable candidates.

Any attempt to privatise the Post Office, the BBC, London Underground or parts of the National Health Service would all be highly sensitive. Other assets, such as the Ministry of Defence married quarters estate, fetch a better price through private sale.

By far the largest private float was that of Orange, the mobile telecoms group. Its flotation in 1996, raising some £500m, took the main market and Aim raised £10.5bn, passing the total for 1994.

An upturn in corporate activity in general helped fuel the flow of new issues during 1996.

Mergers and acquisitions, share buy-backs, and special dividends all combined to free up institutional capital for other investment uses.

This was allied to a move among fund managers to seek out smaller company shares with the potential for higher growth in order

to obtain better returns.

The largest money-raising issue of the year was Railtrack, the owner of the former British Railways network of tracks and stations and other infrastructure, which raised £1.8bn from the fierce competition among mobile phone operators.

The sale of British Energy, the nuclear power generator, raised £1.2bn for the government when it was floated in July.

Further privatisations of this magnitude are hard to foresee even if the Conservative party wins the forthcoming election. Since the sale of the state-owned oil, steel, telecommunications, gas, electricity, water and power generation businesses over the past 15 years, there is a lack of both financially attractive and politically palatable candidates.

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## COMPANIES AND FINANCE

## Mercedes chief sees higher sales and profits

By Andrew Fisher  
in Frankfurt

Mercedes-Benz, the car and truck subsidiary of Germany's Daimler-Benz, is on target for higher sales and profits this year and expects another strong performance in 1997. Mr Helmut Werner, chairman, said yesterday.

Turnover at Mercedes should rise from DM72bn to about DM77bn (\$49.5bn), with cars accounting for nearly DM46bn, against DM40.4bn previously.

Mr Werner said the company would achieve its planned rise in profits in spite of heavy investment in new models and production facilities.

He said next year would see Mercedes advance towards its goal of becoming "the number one in the world automobile industry in terms of innovation, quality and profits". New models and efficiency programmes, especially in the European truck sector, would keep the company on track for growth.

Mercedes gave no indication of its profit figure for 1995. In 1995, net income rose 23 per cent to DM2.38bn, while the whole Daimler group made a DM5.7bn loss.

after tough cost-cutting and restructuring, which mainly affected its aerospace activities. For 1996, Mr Jürgen Schrempp, Daimler's chairman, has promised a much improved result.

Mercedes' improving performance comes as a power struggle between Mr Schrempp and Mr Werner appears to be moving to a conclusion.

Mr Schrempp has made it clear he wants Daimler's main board to take direct management responsibility for cars and commercial vehicles. Mr Werner has opposed any attempt at a merger of the separately-run Mercedes operations into Daimler, whose supervisory board is due to discuss the matter on January 23.

Mr Werner's position is likely to be strengthened by Mercedes' latest performance, with worldwide car sales exceeding 640,000 units in 1995, up from 590,200 last year. More than 370,000 were sold abroad. Sales of trucks, buses and transporters rose from 320,100 units to 345,000.

Daimler's shares gained DM1.50 to DM103.70 yesterday on the Mercedes figures.

Domestic car sales rose 12 per cent, to 266,000. The main contribution to car

sales came from the E-class model, in the middle of Mercedes' range. Demand for the SLK, the new compact convertible, was unexpectedly strong. The 1997 production

target has been increased from 35,000 to 47,000.

Car sales in the US and Japan, Mercedes' most important non-European markets, rose about 20 per

cent to 90,000 and 42,000, respectively. Sales in western Europe (outside Germany) were 9 per cent higher at 173,000.

In commercial vehicles, domestic sales were 86,000 units against 85,000, helped by the new Actros heavy truck. Sales in the rest of western Europe climbed 27 per cent to 105,000.

Unexpectedly strong demand for the SLK convertible contributed to a 12 per cent increase in Mercedes' domestic car sales

in 1995, net income rose 23 per cent to DM2.38bn, while the whole Daimler group made a DM5.7bn loss.

## SAS tightens belt for difficult flight

The Scandinavian airline is bracing itself for a fresh round of retrenchment

## SAS hits turbulence

	1994	1995	1996	1997	1998
Sales	35,880	35,403	35,700	36,000	37,000
Operating result	1,404	9,987	2,050	2,450	2,550
Financial net	-681	-579	100	300	225
Net and fin net	723	2,288	2,150	2,760	3,175

Key ratios - SAS Denmark, Dkr

	1994	1995	1996	1997	1998
Operating margin, %	3.8	8.3	5.7	6.6	6.7
Earnings per share	1.2	11.0	8.8	10.4	11.7
Cash flow per share	14.0	26.7	20.8	24.3	26.7
Price/cash flow per share			3.7	3.1	2.8
Net assets value per share	41	51	61	68	77
Dividend	1.03	2.44	4.00	4.00	3.00
Yield, %			4.0	4.0	4.0
Return on equity, %	4.7	24.1	16.7	16.2	16.2

Source: Handelsblatt

Like all airline chief executives, Mr Jan Stenberg of Scandinavian Airlines System is accustomed to periodic bouts of turbulence. But as he pilots the carrier into the New Year, he finds himself battling a headwind.

SAS's profits are sagging, costs are sharply up, and competition in an increasingly deregulated market is squeezing margins - an uncomfortable state of affairs for an airline which felt the star was rising again after posting record earnings in 1995.

Now, barely two years after spearheading sweeping cuts which stirred staff resentment and prompted a rash of costly strikes, Mr Stenberg is bracing himself for a fresh round of retrenchment.

In an attempt to reduce a cost-to-income burden of 84 per cent, the company has mounted a big efficiency drive. It has pledged not to cut jobs - the largest cost factor - but will concentrate on eliminating waste and duplication. Productivity improvements of up to 7 per cent are targeted in 1997.

Meanwhile, competition is mounting on both the domestic and European fronts. In the past year SAS has faced a direct challenge from Braathens Safe, the Norwegian airline, on the lucrative Oslo-Stockholm commuter route. Virgin Airlines, of the UK, has started services between Brussels and Copenhagen; and Maersk Air, of Denmark, competes on other routes.

"There is a greater aggressiveness and also more serious players on the market," Mr Stenberg says. But while he asserts that competition has been beneficial, raising capacity by 50 per cent on the Oslo-Stockholm route, the downside is that yields have fallen up to 15 per cent.

The point underlines SAS's dilemma. Indeed, its current problems stem from

steps taken in 1996 to improve flight reliability and punctuality. The programme raised flight frequency - popular with passengers - but adversely affected overheads and profits.

SAS, which is owned by Swedish, Danish and Norwegian interests, trails in size behind Europe's big four carriers - British Airways, Air France, Lufthansa and KLM Royal Dutch Airlines.

Lack of critical mass is a handicap in the capital-intensive airline industry, but Mr Stenberg insists SAS can overcome its size disadvantage through alliances with other carriers.

It operates code-sharing agreements with several international airlines, foremost among them Lufthansa, the German carrier.

The one-and-a-half year co-operation encompasses administrative functions such as timetabling, check-in and booking. It has fuelled a 10 per cent growth in traffic - above the European industry average - and both sides are keen to develop the link.

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Mr Stenberg, aware that SAS would be swallowed whole by its larger partner, says: "It would not be a merger of equals." Airlines, he says, "have been very monolithic through history and you would have a lot of qualification problems. I am sceptical."

The reservations are, perhaps, unsurprising given SAS's previous disastrous attempt at a four-way merger with KLM Royal Dutch Airlines, Swissair and Austrian Airlines. The grandiose project, known as Alcazar, collapsed amid disagreement over a common US partner.

No such obstacle would

apply to Lufthansa and SAS, which both collaborate with United Airlines of the US.

Mr Stenberg's formula is to cement SAS inside the Lufthansa-US Airlines network, thereby allowing it to "operate in a global market without having a global presence".

While competition at home hots up, Mr Stenberg sees new opportunities in European markets as planned

Greg McIvor

## HK investors buy into Vancouver developer

By Bernard Simon  
in Toronto

Burcon International Developments, a little-known Vancouver-based holding company, is set to emerge as the prime vehicle for Mr Li Ka-shing and other prominent Hong Kong investors to expand their property interests in North America.

Burcon, which is controlled by Hong Kong investors, has agreed to pay C\$250m (US\$183m) in cash and shares for part of Vancouver-based Concord Pacific Holdings, a private developer controlled by Mr Li.

Concord's flagship is Concord Pacific Place, a 200-acre residential and commercial project on the site of the Expo 86 World Fair in central Vancouver. Under the deal with Concord, Burcon will have options to acquire the entire development.

Fourteen condominium buildings are either complete or under construction at Pacific Place. The aim is

to complete the C\$38m project within the next decade.

Burcon is a public company listed in Toronto. Its biggest shareholder is International Tak Cheung Holdings, a property, oil trading and construction materials group, which has a 46 per cent stake. Hutchison Whampoa, the conglomerate controlled by Mr Li, currently owns about 14 per cent.

Hutchison Whampoa's stake will rise substantially as a result of the Concord deal. Burcon will be jointly controlled by Hutchison, Tai Cheung and Hong Kong's Hui family. The companies declined to reveal specific shareholdings.

Mr Charles Chan, head of the Tak Cheung group and also Burcon's chairman, said: "Our new shareholder base and our strengthened balance sheet further reinforce our objective to become one of North America's leading integrated real estate groups."

Burcon, which may be

administered by Concord Pacific, began its expansion in early 1995 with the acquisition of a controlling interest in a Toronto-based property developer.

Concord Pacific has been revitalised into an aggressive concern with interests in 20,400 sq ft of commercial property, and management contracts for 44m sq ft of space in 35 cities across Canada and the US.

A 50 per cent-owned joint venture paid C\$18m earlier this year for Marathon Realty, formerly Canadian Pacific's real estate arm.

Burcon will finance the Concord Pacific purchase by issuing 8m common shares and warrants for another 8.1m shares, more than doubling the current number of shares outstanding. Burcon said it also planned a public equity offering to raise funds for the Concord deal.

Burcon shares gained 25 cents to C\$10.50 in early trading yesterday. Oxford shares rose slightly.

## OBITUARY: Ellen Schneider-Lenné

## Deutsche Bank director



Ellen Schneider-Lenné, first and only female board member

assistant to Mr Franz Heinrich Ulrich, a former chairman, she spent several years in New York and London, before moving into the management of the international department in Frankfurt with responsibility for trade financing.

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JAN 1996 LSE

## WEEK IN THE MARKETS

## Nickel slides as stocks rise

By Kenneth Gooding and Peter John

Nickel's price fell to its lowest level in 24 years in quiet trading on the London Metal Exchange this week. On Monday, when it slipped to \$6,450 a tonne, traders said one big seller was responsible. But yesterday nickel for delivery in three months on the LME edged lower in thin trading, to \$6,470.

Analysts pointed out that demand from the stainless steel industry, which accounts for two-thirds of demand for nickel, had been weak for several months and LME stocks were rising steadily towards the psychologically-important 50,000-tonne level. The LME did not release any stock figures yesterday. The next set of statistics will be announced on December 31.

The metals team at Paribas Capital Markets says: "With prices weakening, nickel market sentiment has turned bearish. Demand, while strengthening in Europe and Asia, remains weak in Japan and the US. Given current market conditions, consumers are unlikely to increase 1997 contract volumes. However, we expect the nickel market to tighten next year and, if major consumers are caught short, further upward pressure should be exerted on prices."

Mr Ted Arnold, analyst Merrill Lynch, also suggests that nickel prices are cheap at present. He says that stainless steel scrap is increasingly in short supply and mills will have to turn more to primary nickel. "When that happens, probably towards the end of the first half, nickel prices could

move sharply higher." He also points out that China imported about 500,000 tonnes of stainless steel in 1995, and this year looks to be on target to import 750,000 tonnes.

Mr Arnold says present nickel prices are cheap compared with the average that many industry forecasters expect for 1997 — forecasts vary from \$7,714 to \$9,257 a tonne, he says. Merrill's prediction is in the middle of this range at \$8,375, while Paribas is looking for an average of \$8,811.

Oil prices drifted during a quiet week but ended above the lows as dealers focused on low stocks and harsh weather in some big consuming markets. The benchmark February Brent was trading at \$23.58 a barrel by the end

of yesterday's shortened London session, a rise of 1.9 cents on the day, with the market taking some heart from some encouraging data on underlying stocks.

The latest US data showed that US crude stocks were down by between 5.2m and 6.1m barrels to between 280.8m barrels and 297.9m barrels. The data also showed that distillate stocks had fallen by anything up to 1.6m barrels.

At the same time, demand increased following severe weather conditions in Europe and the US.

However, volumes were light over the Christmas holiday week. Dealers still expect the price to trend lower as the weather eases and the impact of Iraq's return to the world market begins to take effect.

Cocoa slipped below a significant support level with the futures contract hitting a nine-month low of \$288 a tonne, before ending the week at \$295 a tonne.

## WEEKLY PRICE CHANGES

	Latest	Change	Year	1995	1994
	Price	per week ago	High	Low	High
Gold per troy oz.	389.55	-0.40	828.05	815.40	827.00
Silver per troy oz.	10.45	-0.05	20.50	20.30	20.50
Aluminum 99.7% (soft)	515.07	-0.75	519.25	516.75	520.45
Copper Grade A (soft)	522.55	-0.10	527.00	521.00	528.50
Lead (soft)	571.30	+0.5	571.75	562.75	587.45
Zinc (soft)	1,051.0	+12.25	1,004.00	988.50	1,083.50
Cocoa (soft)	2,025.00	-5.00	2,020.00	2,015.00	2,030.00
Barley Futures Jan	205.25	-0.70	211.30	207.50	208.00
Wheat Futures Jan	235.75	-0.25	242.00	229.00	245.00
Cotton Outlook A Index	78.55	-	85.50	75.50	87.00
Wool (5% Super)	442.00	-4.40	452.00	393.00	462.00
Oil (Brent Blend)	523.50x	-0.51	518.50	525.18	518.00

Per tonne unless otherwise stated. x Previous. x Change in £ per tonne.

## WORLD BOND PRICES

## MARKETS REPORT

By Richard Adams in London and Richard Waters in New York

Spanish government bonds yesterday outperformed their European counterparts, after Spain's parliament gave final approval for the 1997 budget.

In the cash market, the 10-year yield spread of benchmark 10-year Spanish bonds over German bonds tightened to 111 basis points, from 118 basis points at the previous day's close. Bonds closed at 112.46, up 0.57, while bonds declined slightly by 0.04 to 103.15.

In trading at Liffe, bonds future contracts touched a high of 112.25 during trading, before settling at 112.19, a rise of 0.63.

Trading in futures was very light. The price for March contracts was down 0.05 on the day to 100.67. Long gilt futures nudged up to 110.4.

Japanese government bond futures continued their sharp slide, with London taking its cue from Tokyo.

## BENCHMARK GOVERNMENT BONDS

	Red	Days	Change	Week	Month
Coupon	Price	Change	Yield	Yield	App
Australia	6.750	1.03	95.2222	7.44	7.45
Austria	5.000	100.0700	-0.20	5.85	5.84
Denmark	7.000	107.7100	-0.20	5.97	5.97
Canada	7.000	120.05	-0.20	4.88	4.88
Denmark	6.000	108.8000	+0.10	5.84	5.85
France	5.500	100.1000	-0.20	6.85	6.76
ITAN	5.500	100.7700	-0.20	6.85	6.74
Germany	5.500	100.8000	-0.10	5.88	5.88
Spain	5.250	100.1500	-0.20	5.75	5.83
UK Gilt	7.500	100.1500	-0.20	5.88	5.87
US Treasury	6.000	100.0500	-0.10	5.88	5.88
SGI (French Govt)	7.000	0.0406	105.2600	-0.14	5.88

Yield: Local market standard. London centre, New York mid-day.

\* Gross including withholding tax at 12.5 per cent payable by nonresident.

Source: MMS International

Price: US £1 in \$200s, others in £/sterling

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## COMMODITIES AND AGRICULTURE

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

## ■ ALUMINUM, 99.9% PURITY (5 per tonne)

Code	5 mths
1515.5-17.5	1,549.45
1522.5-2.5	1,549.45
1527.5-155	1,570.55
AM Official	1524.5-25.0
Kerb close	1545.45-48
Open int.	240,355
Total daily turnover	37,285

## ■ ALUMINUM ALLOY (5 per tonne)

Code	5 mths
1380-70	1,580.02
1377.5-7.5	1,400.02
1360	1,380.00
AM Official	1,385.00
Kerb close	1,385.00
Open int.	1,385.00
Total daily turnover	1,056

## ■ LEAD (5 per tonne)

Code	5 mths
5205-25	1,180.00
5175-7.5	1,180.00
5170-7.5	1,180.00
5150	1,180.00
AM Official	1,180.00
Kerb close	1,180.00
Open int.	1,180.00
Total daily turnover	9,047

## ■ ZINC (5 per tonne)

Code	5 mths
5285-65	5,740.50
5270-20	5,755.70
5170-11	5,750.75
5170-7.5	5,750.75
5150	5,750.75
AM Official	5,750.75
Kerb close	5,750.75
Open int.	5,750.75
Total daily turnover	3,047

## ■ ZINC (5 per tonne)

Code	5 mths
5285-65	5,740.50
5270-20	5,755.70
5170-11	5,750.75
5170-7.5	5,750.75
5150	5,750.75
AM Official	5,750.75
Kerb close	5,750.75
Open int.	5,750.75
Total daily turnover	3,047

## ■ ZINC (5 per tonne)

Code	5 mths
5285-65	5,740.50
5270-20	5,755.70
5170-11	5,750.75
5170-7.5	5,750.75
5150	5,750.75
AM Official	5,750.75
Kerb close	5,750.75

## COMMENT &amp; ANALYSIS

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
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Saturday December 28 1996

## Please don't stop the party

And so it goes on. The seemingly endless party on Wall Street has not only dumfounded the sceptics; US investors marked the closing weeks of the year by snubbing the chairman of the Fed, Mr Alan Greenspan. In response to his publicly expressed worries about "irrational exuberance", they became yet more exuberant and placed even more irrational valuations on US equities. If this sounds like hubris, it probably is. Note, though, that there is a sense in which Wall Street has been doing the rest of the world a service.

Two of the more striking features of the world economy in the second half of the 1990s are the persistence of deflationary pressures, especially in Japan, and the toughening stance of fiscal policy in much of the OECD area. A further drag on the growth of global output has been an inventory adjustment which has affected even the more dynamic Asian economies, which are now a very significant part of the world economy.

Against the background of these restraining influences, the global economic show has been kept on the road partly by a loosening of monetary policy, which has been reflected more in a big build-up in dollar-denominated central bank reserves than in conventional money supply figures. But the rise in the US equity market has also contributed to what the economists call a "wealth effect". The resulting surge in confidence has made it easier for Americans to act, mercifully, as the world's borrowers and spenders of last resort.

### Inherent danger

By historic standards the result has been nothing to write home about. Since 1990 the fastest annual rate of growth in real gross domestic product achieved by the OECD countries has been 2.7 per cent. But that is a measure of the danger inherent in the overheating on Wall Street.

A crash could produce a reverse wealth effect at a time when growth remains fragile. The nervousness of the Tokyo market this week was symptomatic. Investors are worried that in the battle between fiscal and monetary policy, fiscal austerity might yet emerge on top. What then is the likelihood of a damaging bank market correction?

One concern in the US is that the share of corporate profits in national income, which has been on a healthy rising trend in the present cycle, could go

into reverse. In a disinflationary environment, where labour markets are tight and goods markets are slack, industrialists will find it hard to pass on increases in labour costs to the consumer. And with the anxious to keep a firm grip on an economy in which the gap between actual and potential output has disappeared, the scope for continuing productivity gains will be reduced. Much of the underpinning of the bull market could thus be removed.

### Nemesis delayed

Yet in practice the demise of bull markets is usually precipitated by monetary factors. And here it looks as though nemesis will come later rather than sooner. With the notable exception of the United Kingdom, monetary policy in the leading industrialised countries is mainly expansionary. Even the Bundesbank has abandoned its hairshirt, and some leading German and French politicians are now committed to the policy of competitive devaluation, which they attacked so virulently when it was thrust upon the UK on its ejection from the Exchange Rate Mechanism.

Bond markets also have a crucial influence on the level of equities. As fiscal retrenchment continues, the increase in policy credibility stands to deliver further reductions in real long-term interest rates.

Another concern is that the Japanese authorities could undermine Wall Street by ceasing to buy US Treasury bonds. Yet it is hard to believe that they would want the return to a strong yen which this would imply while the Japanese economy remains weak and the banking sector is very fragile.

And since it takes time for monetary policy to do its work, it seems all the more likely that global liquidity will remain buoyant for a while yet.

If so, the *fatou de vire* on Wall Street may tide the world over to a more confident economic upturn in which the surprises may come on the side of faster than expected growth. This is, after all, a long cycle in which the contribution of the newly industrialising economies in Asia and elsewhere will be on an unprecedented scale.

If the unsynchronised growth of the first half of the 1990s gives way later in 1997 to a synchronised spurt, the resulting inflationary pressures will call for precautionary monetary medicine. But by then the world should be equipped to cope.



On the ball: John Gallagher (left), Blackheath captain, welcomes the end of amateurism, while Vaaiga Tuigamala (centre) and Lawrence Dallaglio attract crowds to Wasps games

## Everything to play for

The chaotic professionalisation of rugby has left some clubs struggling while others prosper, says Patrick Harverson

**M**r Danny Vaughan is a stocky south London truck driver, whose misshapen nose and battered features reflect a long career spent in one of sport's most unforgiving frontlines - the rugby scrum.

After serving Blackheath rugby club as both player and coach for almost a decade, Mr Vaughan is now helping the sport's oldest club manage the transition from amateurism to professionalism. It is not an easy task.

"I can't put my finger on it but something has been lost," he says of the change in rugby union's status. "The difference between winning and losing was always important, but not that important. Now it's everything."

So much has changed in such a short time that those responsible for the day-to-day operation and playing of the game - the club administrators, coaches and players - are struggling to keep up with the demands of the new era. While rugby's rulers waged war, the sport suffered at club level. The fixture list began to fall apart as the new Anglo-Welsh Cup descended into farce amid a winter of game cancellations. Meanwhile, the flagship European Cup lost badly needed exposure as ITV abandoned coverage of the tournament after confusion about arranging television matches.

This chaotic entry into professionalism has left Mr Tony Kennett, a retired oil industry executive who now chairs Blackheath's fundraising committee, frustrated. "Anyone involved in running rugby at the moment is working like the clappers," he says. "There hasn't been enough time to think this all through. I'm sure the honest opinion of most club administrators would be that they wished the game had not gone professional."

However, Mr Kennett speaks primarily for the smaller clubs such as Blackheath, which is in the second division. Bigger clubs with the high public profile vital to capitalise on rugby's new status view professionalism as the bridge to bigger, better things. Perhaps no club has come so far so quickly as Wasps, the London club which greeted the new world of professionalism by announcing its intention to join the stock market. That plan was abandoned, however, when Mr Chris Wright, chairman of the Chrysalis media group, offered to buy Wasps and merge it with Queens Park Rangers football club.

Now part of a stockmarket-listed company called Loftus Road, the club has a slim sponsorship deal with NCR, the computer company. The first team plays most of its games at QPR's 19,000-seater football stadium near Shepherd's Bush, where attendances for the big games have more than tripled to over 10,000.

**T**he fans are turning up to watch a Wasps team that boasts international stars such as Lawrence Dallaglio and Vaaiga Tuigamala, the giant rugby league player from Western Samoa who earns £5,000 a match. With 17 full-time professionals, a near-£1m annual wage bill and a glamorous image that is attracting growing support throughout London, Wasps is even inch the new professional rugby club.

Mr Nigel Melville, the ebullient Yorkshireman who captained England at scrum half in the 1980s and who is director of rugby at Wasps, loves every minute of it. He can now work with the full-time members of the first-team squad at the club on four days a week, instead of just two evenings. Training techniques

are improving, diets are more closely monitored, football-standard medical facilities are available, and the players now approach the sport as though it is their job - which it is - and not just a hobby.

Professionalism has also altered the relationship between coaches and players, Mr Melville says. "The coaches used to ask players: 'Would you mind coming along for an extra training session this week?' Then suddenly it's: 'You will turn up here on this day at this time.' It's a whole new world."

In this new world Mr Melville, a professional coach employed by a publicly quoted company to train full-time players, keeps a close eye on the stock market to see how his Loftus Road stock options are faring. "I watch the shares every day," he says.

Across London at Blackheath, Mr Kennett probably wishes he could worry about share prices. His chief priority is converting a 138-year-old membership club into a public limited company with a broad shareholder base and raising the millions of pounds needed to fund the club's move from its cramped home.

The Rectory Field may be one of the oldest grounds in rugby, but it is ill-suited to modern-day sporting demands. The club must move to a new stadium in a more accessible, attractive location if it is to make the most of professionalism.

Mr Kennett knows that if Blackheath is unable to raise the money to make the move, its future as a professional organisation could be in doubt. The club is budgeting for revenues of only £700,000 this year, with player wages and administration costs forecast to swallow all but a fraction of that income.

The club's tenuous financial position means it can afford to pay only two full-time players

out of a first-team squad of 40. With so many still on part-time contracts, weekday evenings continue to offer the only chance for the players to train together.

Hence the planned £2.6m share issue and the club's increasingly desperate search for a wealthy backer to inject funds. Talks with two prospective investors have broken down and Mr Kennett says the club "is looking to get into bed with the right sort of person".

Despite his cheerful approach to the fundraising task at Blackheath, he cannot disguise his concern that the clubs may be overstretching themselves. "We're very suspicious about where this is all leading us. Is it eventually going to drive all the clubs into bankruptcy?"

But if administrators such as Mr Kennett are fearful of the future, his players welcome the end of amateurism wholeheartedly. "It's good that it has happened. It was long overdue," says John Gallagher, the former New Zealand international full-back who now captains Blackheath. Hikka Read, an ex-All Black team mate who now helps coach Blackheath, agrees. "The players love it. After all, they're now getting paid to play," he says.

Gallagher and Read envisage a future in which a Blackheath team plays entertaining rugby in front of large crowds in a new all-seater stadium. They see rugby fixtures moving to Sunday to attract new and more fans, and they anticipate a large squad of players on full-time contracts able to train on weekdays like other professional athletes.

But until the club finds financial backing, Gallagher knows the future will have to be put on hold. "We cannot run before we can walk," he admits. "At the moment we're in the jogging phase."

## LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938, e-mail: letters.editor@com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

## Probing the darker side of the brightly lit new inner cities

From Mr George Shearer.  
Sir, Colin Amery's "The brighter lights of the big city" (November 23/24) made interesting reading, confirming what I suspect many of your readers have observed taking place around them - a "renaissance of inner-city life... by popular choice".

But for whom? It is easy to be dazzled by the gentrification of some city centres: beyond the surface glitter, however, lies a darker place.

I wonder if people have ever stopped to think why the centres of cities hailed as models of urban regeneration - Glasgow, Leeds, parts of London - appear to be becoming peopled by only the well-heeled? The reason is the policies effected by an urban managerial élite of municipal planners, housing managers, development corporations and so on.

In order to regenerate, there is

a need to attract top legal and commercial firms together with the expensive big-name stores and fashionable small businesses. But to attract these it is necessary to remove the unfashionable small businesses and any lingering traces of social housing near to the centre.

The desired result is a prosperous, new-look city, rebuilt in post-modernist styles; where earlier architecture has been restored, where redundant, but characterful, warehouses and the like have been converted to smart, upmarket apartments.

And where crime rates are falling because the troublesome elements have been moved to some one else's doorstep.

Colin Amery is wrong when he suggests that high-rise dwellers and Sloane Rangers have equal access to the culture of these "new cities".

Their shops and restaurants have become too expensive and

exclusive for the high-rise dweller, a trend also observable in art galleries and museums. In Leeds the new Royal Armouries Museum charges an admission fee of about £20 for a family of two adults and up to three children - enough to make the low-paid think twice.

While the process is far from complete, the pattern beginning to emerge is one of city centres where the poor are moved on, the working class tolerated as shop and office workers, and small businesses that do not fit the image made unwelcome.

As Lily Savage said in a recent TV show, "They don't take Provost cheques at Harvey Nichols, do they?"

George Shearer,  
8 Sunny Bank,  
Shipley,  
West Yorkshire BD18 3RP,  
UK

## Prescient Bell's network

From Mr Stewart Black.  
Sir, I must take issue with Alan Cane's assertion that Alexander Graham Bell envisaged the telephone "principally as a way of disseminating concerts and other musical performances to a wider audience", ("Why talk today is relatively cheap", December 23).

In *The History of Bell's Telephone*, K. Field quotes Bell as writing: "It is conceivable that cables of telephone wires could be laid underground, or suspended overhead, communicating by branch wires with private dwellings, country houses, shops, manufactorys, etc., etc., uniting them through the main cable with a central office where the wires could be connected as desired, establishing direct communication between any two places in the city. Such a plan, although impractical at the present moment, will, I firmly believe, be the outcome of the introduction of the telephone to the public. Not only so, but I believe, in the future, wires will unite the head offices of the Telephone Company in the different cities, and a man in one part of the country may communicate by word of mouth with another in a distant place."

Bell therefore accurately predicted both the application of his invention and the basic structure of the network.

Stewart Black,  
SFM,  
11 Elive Drive  
Giffnock  
Glasgow, G46 6PN, UK



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## Cosmetic device lowers the value of a business

From Mr David Allen.  
Sir, Mr Ian Kennedy argues (Letters, December 21/22) that Lex continues to miss the real point as regards share buy-backs - but the situation is more complex than he indicates.

Specifically, the idea that a buy-back is "earnings enhancing" is erroneous. In today's conditions, if a company buys back shares to the value of £100m, say, then its future earnings will be about £5m per annum lower than if it had

retained the funds on account of the interest foregone or paid. The point is that, were the distribution to be called a dividend, earnings per share would be correspondingly reduced. Calling it a buy-back has the effect of avoiding that reduction.

Lex's description of the device as cosmetic is correct in the sense that, at best, the value of a business (its cash-generating potential) is no lower, after a buy-back from a few shareholders, than it would have been after

an order to regenerate, there is

مكتبة من الأصل

# Next chapter in the foresight saga

**H**ow well did FT writers fare with last year's prophecies? Martin Wolf made a relatively safe bet that the world economy would not slow further but that "more of the same" might result in poor growth. In Japan, "the fragile blossoming" of recovery predicted by William Dawkins was more than fulfilled.

John Plender would have raked in the chips with his cautiously bullish forecast for equities - share prices rose throughout 1996 in most markets.

Although Chrystia Freeland hedged her forecast on whether Mr Boris Yeltsin would remain president of Russia, she correctly predicted that Mr Vladimir Zhirinovsky, the Dalmatian ultra-nationalist, would fail to make it to the final vote.

Jurek Martin said he would bet "only a nickel" on Mr Bill Clinton in the US presidential race. As it turned out, he could have afforded a bigger punt on the Democrat's runner especially as he forecast correctly that Mr Bob Dole would win the Republican nomination.

John Murray Brown may not, alas, have needed great powers to foresee that talks on Ulster's future would be bogged down in disputes about the decommissioning of terrorist weapons.

Philip Stephens was right to think the Tories would hang on in the UK despite a dwindling majority. As for European monetary union, Lionel Barber may have underestimated the growing political determination of continental Europe to make it happen.

In the Middle East, David Gardner's doubts of accord between Israel and Syria were fully justified. He could not have foreseen that Mr Shimon Peres would be replaced as Israel's prime minister by the hardline Mr Benjamin Netanyahu.

Now for 1997.

Max Wilkinson

## What will happen to world interest rates?

**?** Martin Wolf writes: There is little reason to expect significant changes in the short-term interest rates of the Group of Seven leading industrial countries in 1997. The principal exception is likely to be the UK, where the highest monetary growth in the G7 and buoyant domestic demand will force rates higher.

A small rise in US short-term interest rates is forecast for early 1997 by the Organisation for Economic Co-operation and Development. But "small" is likely to be the operative word.

Japan and the principal continental European economies have substantial excess capacity, hesitant recoveries and no inflationary pressure. All are also embarked on programmes of fiscal consolidation.

Against this background, higher short-term interest rates would be unwise, if anything, rates should fall in Germany, France and Italy. Nevertheless, the cautious Bundesbank may raise its rates a little.

## Will there be a stock market crash of 1997?

**?** John Plender writes: There is no difficulty in finding arguments for a US-induced global crash: the present demanding valuations for US equities; share-price rises financed increasingly by debt; the possibility that the flow of

official Japanese capital into US bonds could reverse - leaving US savers with less money for equities; a rise in short-term US interest rates if Mr Alan Greenspan, the Federal Reserve chairman, fails to damp "irrational exuberance".

Yet these factors are more likely to trigger a correction than a crash - especially since the Japanese will not readily pull the plug by tightening monetary policy. In fact Tokyo looks more crashworthy than Wall Street - its bond and equity valuations are absurd by global standards.

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## What is likely to happen during 1997? FT writers anticipate the events that will shape the world during the year



### Will the Clintons sink in scandal?

**?** Jurek Martin writes: The administration will be distracted by them. There are simply too many pending inquiries for it to be otherwise - Whitewater, travelgate, FBI file-gate, political fundraising, even sexual harassment. But overwhelmed or even brought down à la Watergate? No.

The Clintons have been accused of nothing that compares to the "high crimes and misdemeanours" that brought down Nixon. Never forget, too, that it is easy to report and allege, but harder to indict and tougher still to convict - and the Clintons will fight at each stage of the legal process.

Nor have they lost the war for the public ear. November's presidential election showed that Americans accepted their president and first lady - alleged war and all.

### How many countries will qualify for Emu?

**?** Lionel Barber writes: A sophist would reply: none. The decision on which European Union member

states qualify for entry into the elite single currency club will not be made until April/May 1998. But we should have a pretty good idea by the end of the year, based on their economic performance in 1997 and their 1998 budgets.

A safe, narrow Emu would be based around France, Germany, and the Benelux countries. Probable additions include Austria, Finland and the Irish Republic. Less probable, but not impossible: Spain and Portugal.

There is no way for the Italians to step under the tent-flap. And a US government, Tory or Labour, seems to have left itself no time to pass the necessary legislation, let alone win over a sceptical public. The Danes and Swedes need referendums, and Greece will not make it this side of the millennium.

### Will life be proved to exist on other planets?

**?** Clive Cookson writes: Assuming alien beings do not land on earth during 1997, there are two scientifically plausible ways that could prove the existence of extraterrestrial life.

First, researchers might come up with compelling evidence by further study of Martian meteorites (rocks blasted off Mars by an asteroid smashing into the planet, which end up on earth). The evidence presented last August by NASA scientists - that meteorite ALH84001 contained microscopic fossils and chemical traces of primitive Martian organisms - is controversial.

For the moment, e-mail and the electronic chat rooms of the commercial online services such as CompuServe and AOL remain the main reasons why consumers

are buying modems and going online. However, powerful search engines such as Yahoo! and AltaVista allow the ordinary PC user to find information on the World Wide Web on anything from an apple pie recipe to scientific data about the climate of the south Pacific.

The case for buying a modem will become even more compelling in 1997. Banks are preparing online services that will enable consumers to conduct much of their banking business from their home PCs. Consumer companies such as Virgin are preparing to launch Internet services with value-added features such as home-work help for schoolchildren and teachers' notes. Other companies are already "broadcasting" news over the Internet.

Meanwhile many of the technical and security problems associated with Internet commerce are being resolved. This will make it possible to select and pay for goods and services over the Internet safely - whether the sums involved are pennies or hundreds of pounds.

### Will I have to buy a modem?

**?** Paul Taylor writes: Personal computer users without a modem connection to the Internet are likely to feel increasingly isolated over the next 12 months as the rush to get online gathers pace. The Internet has been transformed over the past two years from an academic and computer hobbyist's playground into a new communications and distribution medium, an online shopping mall and a huge virtual library packed with useful - and useless - information.

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### Who will be leader of the UK Conservative party?

**?** Phillip Stephens writes: It will not be John Major. Barring divine intervention, the Conservatives' 18 years in office will end within the next few months. Some would like Mr Major to hang on for a time as opposition leader to limit the blood-letting of a leadership contest, but he will prefer to retire quietly to Huntingdon.

China's formation of its new legislature has already undermined its promise of an elected assembly. Whether this commitment is upheld depends on the shape and speed of arrangements for a planned replacement. After

the various army factions against each other, eliminating the last barrier holding Zaire back from complete chaos.

The disintegration of Zaire would have consequences across the centre of Africa. Instability would jeopardise the peace process in Angola, threaten Uganda's economic recovery and fuel strife in the Central African Republic and Burundi.

The latter looks set to continue its headlong lunge to perdition. Boycotted by its regional neighbours, the Tutsi minority government has nothing to lose by trying to wipe out the Hutu majority. Following the clumsy climbdown from intervention in Zaire, the international community - France, perhaps, excluded

a honeymoon, freedom of the press and of political expression will also come under pressure.

On the economic front, self-interest and the international focus on Hong Kong will hold Beijing to its promise of autonomy. China will keep its hands off Hong Kong's capitalist system and its financial reserves.

While the Chinese central government will also seek to ensure a level business playing field, it will find it hard to restrain provincial authorities and state companies from interfering in Hong Kong. Expect some bold corporate moves by China-backed businesses seeking to expand in Hong Kong.

### Will the Bosnian peace settlement hold?

**?** Bruce Clark writes: This will be a year of increasing tension between the desire of most western governments to maintain peace in Bosnia at all cost, and the Bosnian-Moslem leadership's keenness to settle scores with the Serbs.

The production budget for *Dante's Peak* is reportedly more than \$15m and *Volcano* - which includes a scene in which Los Angeles is destroyed - cost more than \$70m. The studios will spend at least \$30m promoting each picture in the US alone.

### Will Japanese exporters bounce back?

**?** William Dawkins writes: Yes. After falling slightly in the first half of this year, Japanese exports rose 7.5 per cent in the six months to December. Growth is expected to accelerate to 8.3 per cent next year, according to the OECD, and to 8.5 per cent in 1998.

Car companies are leading the way. In November their exports were 30 per cent above the level a year before; they were followed by electronics companies, up 13.5 per cent in the same month.

If the OECD is right, Japan is heading for its best export growth since 1989. It will also register the fastest rate among the seven richest countries next year and in 1998.

The OECD is right to be bullish about Japanese companies' export prospects. They are helped by a weak yen which is unlikely to strengthen significantly, given the slowdown in the domestic economic recovery. Moreover, the top exporters have made such competitive gains that they would keep bouncing back even if the yen recovered.

### Will Africa descend into chaos?

**?** Michaela Wrong writes: The nightmare that has kept diplomats in Africa in a cold sweat for decades is becoming a reality. Zaire could fall apart - destabilising the central equatorial region of Africa.

The effortless rebel seizure of the east of the country will encourage neighbouring countries to make a grab for other parts of the country that are rich in oil and diamonds. If outsiders fail to tear the country apart, the generals probably will, as pro-state cancer grips Mobutu Sese Seko, president since 1965. Squabbles over the various army factions against each other, eliminating the last barrier holding Zaire back from complete chaos.

The disintegration of Zaire would have consequences across the centre of Africa. Instability would jeopardise the peace process in Angola, threaten Uganda's economic recovery and fuel strife in the Central African Republic and Burundi.

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- will do anything to stay out of Africa.

### What will I see at the cinema?

**?** Alice Rawsthorn writes: 1996 was the year when digital special effects came of age in the cinema, with the exploding White House in *Independence Day* and the flying cows in *Twister*. Next year disaster films seem set to make the maximum use of the new effects.

Hollywood has a string of expensively produced disaster pictures in the pipeline, starting with *Dante's Peak*, a Universal production starring Pierce Brosnan, which opens in North America in February. This will be followed by *Volcano*, a 20th Century Fox film with Tommy Lee Jones as its lead; *The Flood* from Paramount; and *Titanic*, an underwater epic by James Cameron, the *Terminator* director.

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### Will oil prices be higher at the end of 1997?

**?** Robert Corrigan writes: Mundane as it sounds, much depends on the weather. Cold snaps in the US and Europe have been one of the main reasons behind this year's rise in oil prices to six-year highs. A return to "normal" weather patterns in the northern hemisphere would probably push prices down.

Even with bad weather, any rise could be short-lived. The world is not short of oil - and nor is it the industry short of cash to develop new fields after a bumper year for most oil companies. The costs of new field development are falling fast, thus encouraging even greater investment in new capacity.

Another bearish factor is that Iraqi crude is now back in the market, albeit in limited quantities. But there is also no shortage of political instability in many big oil-producing countries.

Oil producers. They may try to switch from satellite to less costly land links.

"It took some time to strike a balance between forgers and Bosnians," says the network insider. "The outsiders want control because they have put up the money and have their political goals, but for the station to survive in Bosnia, the Bosnians themselves need authority and responsibility for its destiny."

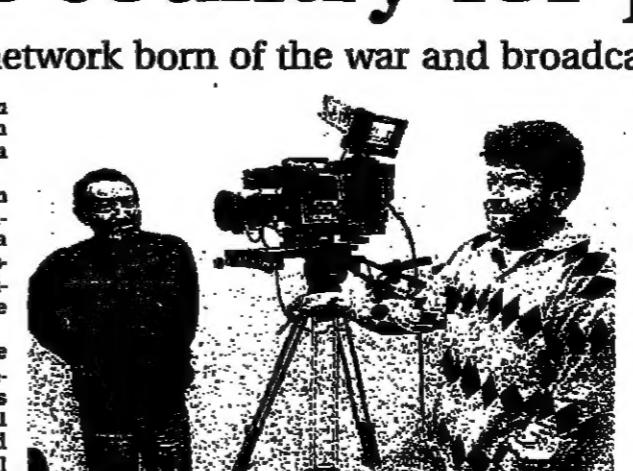
The network's experience underscores the difficulties of implementing any attempts to link the two entities - from something which seems as insignificant as vehicle licence plates to political structures.

Bosnia's rival authorities earlier this month gave a firm commitment to provide the legal framework for the network to continue operating throughout the country, if all goes well. TV-in will finally reach all Bosnians.

Maybe next year Mr Jovanovic's mother, who lives in the Serb-held town of Teslic, will be able to watch the network. For the time being, says Mr Montgomery, "it is the only Bosnia-wide project that has seen even a modicum of success".

## Reprogramming a country for peace

Laura Silber tunes into the Bosnian television network born of the war and broadcasting for unity



On camera: Kosta Jovanovic (left) and Benjamin Filipovic, the station's creative director

Photo: AP

From the former UN headquarters in Sarajevo, capital of Bosnia-Herzegovina, an unusual television station beams the evening news across the scarred landscape.

In a land where the electronic media were used to divide communities and stir up war, TV-in broadcasts to Bosnian Moslems, Serbs and Croats with the aim of bridging the divisions.

Free of political control and with international backing, it is the only television station in the former Yugoslav republic that regularly reports from both sides of the former frontlines.

"We try to do stories everyone can relate to - about economic and social problems and war invalids," says Mr Kosta Jovanovic, news editor at TV-in. "Everyone has these problems no matter where they live in Bosnia."

TV-in is the hub of a network of four small stations founded during the war when Bosnian cities were cut off from each other. The other affiliates are in Mostar, Tuzla and Zenica, the

main cities in the Moslem-Croat Federation.

They are linked in the Open Broadcasting Network (OBN), established with the US, Japan and the Open Society Institute founded by Mr George Soros, the Hungarian-born

# Yen plummets

## MARKETS REPORT

By Simon Kuper

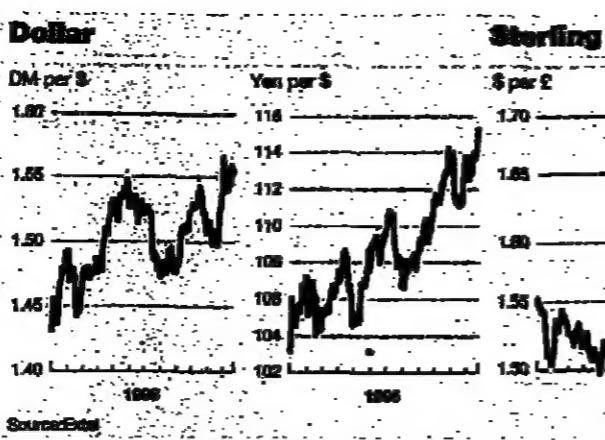
The yen touched three-and-a-half year lows against the dollar yesterday, hit by this week's slide in Tokyo share prices.

It was a day of sharp moves in the currency markets. Sterling closed at its highest level since being ejected from the European exchange rate mechanism on "Black Wednesday" in September 1992, and the Swiss Franc fell to a 37-month low against the D-Mark.

The yen fell on fears that Japan's austere 1997 budget, approved by the cabinet on Wednesday, could stall the economy's tentative recovery. Japanese interest rates are expected to remain low.

The yen closed at Y115.4 against the dollar in London yesterday, Y105 down on the day and Y115 below its close on Christmas Eve.

The pound, boosted by dealers on holiday.



expectations that UK interest rates would rise soon, gained 2.8 pence against the D-Mark and 1.9 cents against the dollar to close in London at DM2.631 and \$1.682 respectively.

Sterling closed at 95.6 per cent of its 1990 value against a trade weighted basket of currencies. After the UK left the ERM on the evening of Black Wednesday, it fell to 94.8 per cent of its 1990 level.

The Swiss franc continued its slide of most of 1996. It fell from SF10.865 to SF10.877 against the D-Mark, as traders expected the Swiss National Bank to keep monetary policy loose.

Traders said yesterday's moves were exaggerated by thin volumes, with many dealers on holiday.

The moves completed an unusual year in the foreign exchange markets. The yen and the Swiss franc, which have traditionally tended to appreciate, have fallen, while sterling, which tends to fall, has risen 13 per cent since early August.

The yen has dropped Y122 against the dollar since the start of the year, and the Swiss franc has lost almost 10 per cent of its value against the D-Mark.

Sterling has gained because UK interest rates are the highest of any major economy and are expected to

rise soon. Most UK economists predict that Mr Kenneth Clarke, the chancellor, will raise base rates from their present level of 6 per cent after his January 15 monetary meeting with Mr Eddie George, governor of the Bank of England.

England said yesterday: "The pound's rise will have a depressing effect on inflation in the short term, because it will reduce import prices." Many economists say sterling's gains could therefore reduce pressure on Mr Clarke to raise rates.

Furthermore, if Mr Clarke left rates unchanged next month, the pound would probably fall. That would help exporters, many of whom have told the chancellor that sterling's strength is eating into their profits.

But economists say that, perversely, the recent rise in sterling makes a rate increase less likely. They point out that a stronger pound curbs inflationary pressures. As the Bank of

## WORLD INTEREST RATES

### MONEY RATES

	Over night	One month	Three months	One year	Longer	Days	Repo
Belgium	5.2	5.2	5.2	5.2	5.2	5.2	5.2
France	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Germany	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Ireland	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Italy	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Netherlands	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Switzerland	1.2	1.2	1.2	1.2	1.2	1.2	1.2
US	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Japan	5.2	5.2	5.2	5.2	5.2	5.2	5.2

US 30 DAY FT INTEREST RATES offered rates for \$10m quoted to the writer by four reference banks in the US each working day. The banks are Barclays Trust, Bank of America, Deutsche and National. The rates are shown for the domestic Money Fund, US CDs, T-bills & 30 Day United Deposits. No rates are shown for the domestic Money Fund, US CDs, T-bills & 30 Day United Deposits.

## EURO CURRENCY INTEREST RATES

### Dec 27

	Short	7 days	One month	Three months	Six months	One year
Belgian Franc	5.2	5.2	5.2	5.2	5.2	5.2
Danish Krone	5.2	5.2	5.2	5.2	5.2	5.2
D-Mark	5.2	5.2	5.2	5.2	5.2	5.2
Dutch Guilder	5.2	5.2	5.2	5.2	5.2	5.2
French Franc	5.2	5.2	5.2	5.2	5.2	5.2
Portuguese Esc.	5.2	5.2	5.2	5.2	5.2	5.2
Spanish Peseta	5.2	5.2	5.2	5.2	5.2	5.2
Sterling	5.2	5.2	5.2	5.2	5.2	5.2
Swiss Franc	5.2	5.2	5.2	5.2	5.2	5.2
US Dollar	5.2	5.2	5.2	5.2	5.2	5.2
ECU Listed De	-	-	-	-	-	-
SDR Listed De	-	-	-	-	-	-

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JULY 1996

## UNIT TRUSTS

## ■ WINNERS AND LOSERS

## TOP FIVE OVER 1 YEAR

	Johnson Fry Slater Gth
Johnson Fry Slater Growth	1,468
Jupiter European	1,355
Gartmore UK Smaller Companies	1,336
HSBC Hong Kong Growth	1,324
NatWest UK Smaller Cos	1,321

## BOTTOM FIVE OVER 1 YEAR

	Old Mutual Thailand Acc
Save & Prosper Korea	539
Baring Korea	570
Schroder Seoul	607
Old Mutual Thailand Acc	630
Save & Prosper Southern Africa	683

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

## ■ Indices

	Average Unit Trust
NPI UK Extra Income Inc	1,024
Bank	1,020
Building Society	1,032
Stockmarket: FTSE All-Shares	1,054
Inflation	1,022

## ■ UK Eq &amp; Bd

	1 year (3) 5 10 Volatility Yrs%
BWD Balanced Portfolio	1,026 1,020 2,176 1,37 1.3
NPI UK Extra Income Inc	1,020 1,020 2,204 1,37 1.3
Perpetual High Income	1,074 1,268 2,305 1,29 3.5
Credit Suisse High Income Port	1,058 1,243 2,216 1,31 3.4
Canlife Income Dis	1,100 1,160 1,945 2,01 3.7
SECTOR AVERAGE	1,068 1,178 2,021 2,72 3.1

## ■ UK Growth

	1 year (3) 5 10 Volatility Yrs%
Jupiter UK Growth	1,146 1,640 2,776 3.7 1.6
Johnson Fry Slater Growth	1,162 1,574 2,744 3.9 0.5
River & Mercantile 1st Growth	1,200 1,529 2,744 3.3 1.4
Credit Suisse Fellowship Inc	1,139 1,494 2,694 3.8 1.1
Sanwa UK Growth	1,160 1,474 2,694 3.6 1.3
SECTOR AVERAGE	1,087 1,842 2,648 3.5 1.3

## ■ UK Growth &amp; Income

	1 year (3) 5 10 Volatility Yrs%
Family United Charities	1,151 1,325 1,927 2,153 3.1 2.2
Perpetual Income	1,082 1,815 2,087 3,178 3.2 2.9
Mercury UK Equity	1,110 1,316 2,110 3,029 3.4 2.4
Fleming Select UK Income	1,145 1,319 1,931 2,908 3.4 3.1
Prolific UK Blue Chip	1,136 1,306 2,094 3.5 3.1
SECTOR AVERAGE	1,080 1,815 1,821 2,807 3.4 2.9

## ■ UK Smaller Companies

	1 year (3) 5 10 Volatility Yrs%
Gartmore UK Smaller Companies	1,036 1,005 2,152 2,061 3.6 0.3
Laing Keir Smaller Cos	1,240 1,755 - 3.4 1.2
AES Smaller Companies	1,190 1,687 2,294 - 3.5 0.9
INVESTCO UK Smaller Companies	1,192 1,657 2,472 2,611 4.5 1.3
Credit Suisse Smaller Cos Inc	1,129 1,632 2,278 2,406 3.7 0.9
SECTOR AVERAGE	1,106 1,287 1,958 2,612 3.6 1.5

## ■ UK Equity Income

	1 year (3) 5 10 Volatility Yrs%
Jupiter Income	1,155 1,671 2,114 - 3.4 4.2
GT Income	1,150 1,585 2,174 3,761 3.4 4.0
River & Mercantile 1st Income	1,105 1,372 2,091 - 3.4 4.2
BWD UK Equity Income	1,134 1,587 2,027 2,603 3.4 3.9
Lazard UK Income	1,110 1,325 2,107 3,616 3.3 5.0
SECTOR AVERAGE	1,089 1,660 1,875 2,628 3.3 4.7

## ■ UK Equity &amp; Bond Income

	1 year (3) 5 10 Volatility Yrs%
Prolific Extra Income	1,103 1,269 1,968 2,903 3.0 4.5
Baillie Gifford Conv & General	1,008 1,176 2,187 2,241 3.6 5.2
NAP Higher Income	1,108 1,167 2,023 3,168 3.0 5.0
Edinburgh High Distribution	1,058 1,134 1,659 2,335 3.7 4.5
CIS UK Income	1,051 1,126 1,704 - 3.9 4.3
SECTOR AVERAGE	1,048 1,084 1,720 2,384 3.8 5.5

## ■ UK Equity &amp; Bond Income

	1 year (3) 5 10 Volatility Yrs%
Prolific Technology	1,019 2,016 4,194 5,600 5.1 -
Framlington Health	1,030 1,707 2,226 - 6.6 -
Henderson Global Technology	948 1,576 2,212 4,665 5.7 -
Scott Equitable Technology	1,046 1,500 2,491 4,220 4.3 0.8
Save & Prosper Growth	1,147 1,410 2,222 3,800 3.7 1.7
SECTOR AVERAGE	1,092 1,103 1,826 3,807 3.6 1.3

## ■ International Equity &amp; Bond

	1 year (3) 5 10 Volatility Yrs%
Bank of Ireland Ex Mgd Growth	1,080 1,252 1,970 - 2.7 3.0
NPI Worldwide Income Inc	1,051 1,221 1,928 - 2.9 3.4
Cazenove Portfolio	1,036 1,207 1,988 - 2.5 1.8
Gartmore PS Long Term Balance	1,033 1,195 1,992 - 2.9 3.0
Fleming General Opportunities	1,106 1,172 1,972 - 3.3 4.1
SECTOR AVERAGE	1,027 1,102 1,702 2,948 3.7 2.5

## ■ International Growth

	1 year (3) 5 10 Volatility Yrs%
Murray International	1,019 2,016 4,194 5,600 5.1 -
Securitie Trust of Scotland	1,120 1,084 1,718 9 4.3 4.6
British Assets Ordinary	1,131 1,094 1,618 - 4.1 5.0
SECTOR AVERAGE	1,084 1,146 2,143 - 4.0 5.3

## ■ International Equity

	1 year (3) 5 10 Volatility Yrs%
North Atlantic Smaller Cos	1,158 1,677 4,357 7 4.3 -
American Opportunity	1,025 1,485 2,400 3 5.0 -
US Smaller Companies	1,064 1,811 1,970 12 6.2 -
Fleming International	1,048 1,220 2,226 19 4.3 0.8
Electric & General	1,136 1,257 2,226 11 8.8 1.8
SECTOR AVERAGE	1,115 1,515 2,671 16 4.0 1.1

## ■ International Income

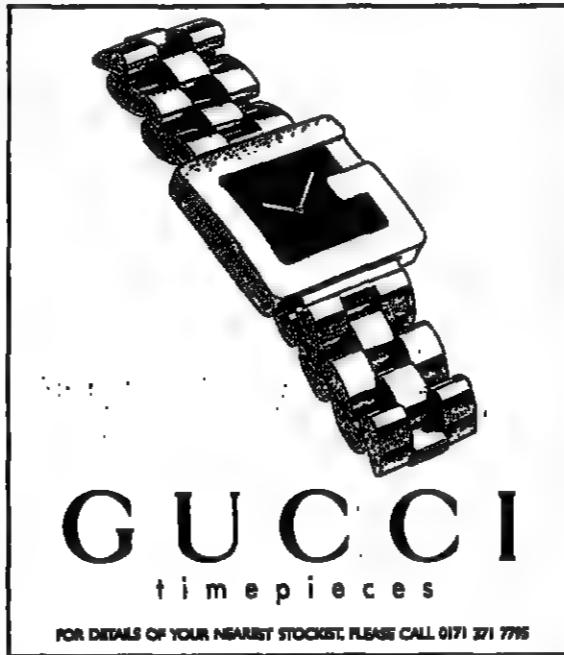
	1 year (3) 5 10 Volatility Yrs%
Value and Income	1,142 1,282 2,005 1 3.4 4.2
Morgan Grenfell Equity Income	1,039 1,193 2,110 5 3.9 4.9
TR City of London	1,073 1,



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### Authorised and Insurances



## OTHER UK UNIT TRUSTS

1988 INDEX OF RECENT PUBLICATIONS RECEIVED IN 1990

# PROPERTY UNIT TRUSTS

## INSURANCES





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### Offshore Funds and Insurances

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## LUXEMBOURG ASIB RECOGNISED

LUXEMBOURG  
(REGULATED)<sup>11</sup>

American Phoenix Investment	Phone number 7-7400
13 rue Goethe, L-1637 Luxembourg	
European Institutional Fund	£231.25
European Institutional Fund	\$221.00
European Institutional Fund	€14.20
European Institutional Fund	£165.00
European Institutional Fund	¥165.21
Global Institutional Fund	£221.00
Global Institutional Fund	\$13.20
Global Institutional Fund	£140.11
Global Institutional Fund	¥140.54
US Growth Companies	£1.93
US Growth Companies	¥1.04
US Growth Companies	£1.62
US Growth Companies	¥1.62

IPB US Dollar Reserve	\$12.60
IPB European Bond	\$12.18
IPB Multi Asset Bond	\$2.11
IPB Spain	\$62.70
IPB Emerging Markets	\$71.00
IPB Europe	\$11.43
IPB Asia	\$1.43
IPB Pacific Rim	\$44.25
IPB United States	\$17.22
IPB Global Bond	\$27.69
IPB Hedged Global Eq Div	\$12.80
IPB Hedged Global Eq Smg	\$12.80
IPB Hedged Stocks of Ffr	\$24.21

First Institutional Funds							
Corporate Express System							
UT Express							
<b>BBG Global Funds</b>							
<b>SGI</b>	SGI60.300						
<b>PER</b>	PER13.371						
<b>Blue &amp; Melonville Latin American SICAV</b>							
Latin American SICAV	\$70.42	+0.11					
<b>Switzerland Global Macro Co SA (4)</b>							
Switzerland Alpha Plus Fund							
Portfolio A: SWF	\$14.17	+0.07					
Portfolio B: SWF	\$14.37	+0.04					
<b>Switzerland Management SA (4)</b>							
Switzerland Alpha Plus Fund							
Portfolio A: SWF	\$10.77	+0.02					
Portfolio B: SWF	\$10.72	-0.02					
<b>Switzerland-US Japan Weight Co SA (4)</b>							
Switzerland Alpha Plus US Japan							
Portfolio A: SWF	\$13.28	+0.02					
Portfolio B: SWF	\$14.16	+0.01					
<b>Switzerland (Group Standard &amp; Poor's)</b>							
Alpha Capital Holdings	\$50.67						
International Capital Holdings	\$11.971.27						
Invest 2000	\$22.000						
<b>Standard &amp; Poor's Funds</b>							
Alpha Income Emerging	\$13.022.01						
Alpha Pacific-UK Fund	\$20.02.71						
Alpha Pacific-World Fund	\$13.022.01						
Alpha Pacific-World Fund	\$10.02.57						
Alpha Pacific-World Fund	\$10.02.57						
Alpha Pacific-Ex Emu Fund	\$20.02.03						
Alpha Pacific-Global Weighted	\$14.471						
LS Trust-Alpha Growth	\$10.02.17						
Standard Alpha Growth	\$10.02.17						
Alpha USA Fund	\$13.022.01						
Alpha Fund	\$10.02.17						
Alpha Fund Value Plus	\$10.022.01						
Alpha Fund Pacific Ring	\$10.02.07						
Alpha Fund Income	\$11.02.05						
Alpha Fund Japan Fund	\$10.02.01						
<b>The Golden Gate Fund</b>							
<b>SGI</b>	SGI354.915						

US Mid Cap Equities	\$15.00
International Equities	\$10.00
Emerging Equities	\$14.00
Japan Small Cap Equities	\$14.00
South East Asia Equities	\$16.00
Latin American Equities	\$18.00

**Corporate SA**

55 Rue de Lourdes, 75008 Paris

Corporate Europe SICAV - SP228234

Commercial Union Luxembourg	
26 Place de la Gare, L-1518	
Internet: <a href="http://www.zeta.lu">http://www.zeta.lu</a>	
Commercial Union Pathology Portfolio	
Equity Funds	
Monthly Income	E1050 11

1 Man Assurance Ltd		
Office, Prospect Mx, Douglas, Isle	01642 624141	
of Man		
Trust	£14,688	
Managing Director	£12,251	
Secretary	£10,500	
1st Capital Plan A	£11,168,113	
2nd Capital Plan B	£12,746,000	
Capital Reserve	£15,23,771	
Surplus Assets	£10,361	
Total Property Assets	£6,70	
Total Oct 1994 Profits	£1,70	
per share		
New International Group		
1st Capital	£1,85	£10
2nd Capital	£10,44,0	150.0
Reserve	£1,10	2.01
Surplus Assets	£1,220	0.002
Total Oct 1994 Profits	£1,70	
per share		
New Life International Ltd		
Office, Prospect Mx, Douglas, Isle	96,753.00 P1 7230	
of Man		
Trust	£9,5	£10.0
Managing Director	£1,20	£1
Secretary	£1,01	
1st Capital Plan A	£1,168,113	£15.0
2nd Capital Plan B	£1,246,000	£15.0
Capital Reserve	£1,113	£1.0
Surplus Assets	£1,223	0.002
Total Property Assets	£1,70	
Total Oct 1994 Profits	£1,70	
per share		
Retail Gourmets		
1st Capital Plan Mx, Douglas	97,681 P1 7230	
of Man		
Trust	£1,67	£10.0
Managing Director	£1,120	£0.001
Secretary	£1,01	
1st Capital Plan A	£1,042	£10.0
2nd Capital Plan B	£1,120	£10.0
Capital Reserve	£1,120	£10.0
Surplus Assets	£1,120	£10.0
Total Property Assets	£1,70	
Total Oct 1994 Profits	£1,70	
per share		
Retail Gourmets		
1st Capital Plan Mx, Douglas	97,681 P1 7230	
of Man		
Trust	£1,67	£10.0
Managing Director	£1,120	£0.001
Secretary	£1,01	
1st Capital Plan A	£1,042	£10.0
2nd Capital Plan B	£1,120	£10.0
Capital Reserve	£1,120	£10.0
Surplus Assets	£1,120	£10.0
Total Property Assets	£1,70	
Total Oct 1994 Profits	£1,70	
per share		
Retail Gourmets		
1st Capital Plan Mx, Douglas	97,681 P1 7230	
of Man		
Trust	£1,67	£10.0
Managing Director	£1,120	£0.001
Secretary	£1,01	
1st Capital Plan A	£1,042	£10.0
2nd Capital Plan B	£1,120	£10.0
Capital Reserve	£1,120	£10.0
Surplus Assets	£1,120	£10.0
Total Property Assets	£1,70	
Total Oct 1994 Profits	£1,70	
per share		

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## OTHER OFFSHORE FUNDS





Details of business done below have been taken with consent from last Tuesday's Stock Exchange Official List and should not be reproduced without permission. The data is now delivered by Elexel, part of Financial Times Information.

Details relate to those securities not included in the FT Share Information Services.

The prices are those at which the business was done in the 24 hours up to 5.15pm on Tuesday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades.

For those securities in which no business was recorded in Tuesday's Official List, the latest recorded business in the four previous days is given with the relevant date.

\* Bargains at special prices. \* Bargains done the previous day.

#### British Funds, etc

Treasury Bills Ls 2000 - £103 1/2% (10/06)

Government Bills Shs 2001 - 11.025% (20/06)

Exchequer 10% Shs 2002 - 12.025% (10/06)

Exchequer 10% Shs 2003 - 12.025% (10/06)

Treasury 13% Shs 2004 - 11.025% (10/06)

Treasury 13% Shs 2005 - 11.025% (10/06)

Treasury 13% Index-linked Shs 1999 - 11.771% (10/06)

Exchequer 10% Shs 2000 - 11.025% (10/06)

Guaranteed Export Finance Corp PLC Shs 10% (10/06)

Gold Shs 2010 (Regd) - 11.025% (20/06)

#### Corporation and County Stock

East (City of) 11% Red Shs 2006 - 12.025% (17/06)

Coventry (City of) Shs 2008 - 11.025% (10/06)

Treasury 13% Shs 2009 - 11.025% (10/06)

Treasury 13% Shs 2010 - 11.025% (10/06)

Treasury 13% Shs 2011 - 11.025% (10/06)

Treasury 13% Shs 2012 - 11.025% (10/06)

Treasury 13% Shs 2013 - 11.025% (10/06)

Treasury 13% Shs 2014 - 11.025% (10/06)

Treasury 13% Shs 2015 - 11.025% (10/06)

Treasury 13% Shs 2016 - 11.025% (10/06)

Treasury 13% Shs 2017 - 11.025% (10/06)

Treasury 13% Shs 2018 - 11.025% (10/06)

Treasury 13% Shs 2019 - 11.025% (10/06)

Treasury 13% Shs 2020 - 11.025% (10/06)

Treasury 13% Shs 2021 - 11.025% (10/06)

Treasury 13% Shs 2022 - 11.025% (10/06)

Treasury 13% Shs 2023 - 11.025% (10/06)

Treasury 13% Shs 2024 - 11.025% (10/06)

Treasury 13% Shs 2025 - 11.025% (10/06)

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Treasury 13% Shs 2027 - 11.025% (10/06)

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Treasury 13% Shs 2030 - 11.025% (10/06)

Treasury 13% Shs 2031 - 11.025% (10/06)

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Treasury 13% Shs 2081 - 11.025% (10/06)

Treasury 13% Shs 2082 - 11.025% (10/06)

Treasury 13% Shs 2083 - 11.025% (10/06)

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Treasury 13% Shs 2098 - 11.025% (10/06)

Treasury 13% Shs 2099 - 11.025% (10/06)

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Treasury 13% Shs 2114 - 11.025% (10/06)

Treasury 13% Shs 2115 - 11.025% (10/06)







# Sega cuts forecast by \$41m as power games alter market

By Gwen Robinson in Tokyo and Alice Rawsthorn in London

Sega Enterprises, the Japanese electronic games group, yesterday slashed its profits forecast for the current financial year after announcing a \$30m (\$263m) extraordinary loss on its US business and massive stock write-downs on its 16-bit game consoles.

The group, which faces fierce competition in the global market from compatriots Sony and Nintendo, warned that pre-tax profits for the year to March 31 would be about Y1bn, rather than the Y27bn previously forecast.

Sega also expects net profits to fall below previous predic-

tions to Y5.2bn (\$46m) rather than Y10bn (\$87m), with sales slipping to Y420bn from the target of Y450bn.

The profits warning followed a midday decision by the Tokyo Stock Exchange to suspend Sega's shares after they fell by Y50 in morning trading to Y4,050. The news comes only weeks after the announcement in late November that Sega had returned to profits growth in the first half of this year, fuelled by strong sales of the Saturn, a 32-bit games system, and a printing machine which turns photographs into stickers and which has become a craze for Japanese teenagers.

The Saturn has since continued to sell well, despite Sony having achieved higher sales

of PlayStation, its rival 32-bit system, and Nintendo's successful launch this autumn of its more powerful 64-bit format in North America and Japan.

Mr Shunichi Nakamura, Sega's managing director, expects to sell 1.2m Saturn machines in the US during the current financial year, against the original forecast of 1.1m, and anticipated selling 2.5m Saturns in Japan during the year and 650,000 in Europe.

However, the popularity of 32-bit and 64-bit systems has sapped demand for less powerful 16-bit games consoles – a market also adversely affected by growing demand for personal computer games.

Mr Nakamura said sales of Sega's 16-bit machines had

fallen faster than expected.

Hence the group has decided to write off Y7bn worth of 16-bit console stocks worldwide.

Sega has also decided to take a Y25bn extraordinary loss in the US, where the shift away from two-way splits, AT&T a tripartite one, Hanson a four-way division, while Hoechst is planning no fewer than six cuts – albeit with the group keeping stakes in most of them. Breaking up conglomerates normally makes industrial sense; and when the process exposes previously hidden jewels it can enrich shareholders too. But not always, with Hanson, for example, the main effect has been to expose the previous destruction of wealth.

Despite the profits warning, Sega should still achieve higher net profits than in its last financial year, when it made Y4.2bn. The group yesterday affirmed that it plans to leave its annual dividend unchanged at the previous estimate of Y36 per share.

## THE LEX COLUMN

# Industrial jigsaw

### FTSE Eurotrack 200:

1988.3 (+7.8)

### Star performers

Share prices relative to the FTSE/BP-A World Index (5 terms)



would be enhanced if the same amount had been spent on gearing up via a buyback.

### Shareholder value

Buybacks, demergers, privatisations, demutualisations – not to mention an extraordinary rash of acquisitions. 1996 has been a year rich in corporate finance activity. And, in most cases, shareholders have benefited.

Demergers have been especially in vogue. Thorn EMI, Westinghouse and British Gas have chosen two-way splits, AT&T a tripartite one, Hanson a four-way division, while Hoechst is planning no fewer than six cuts – albeit with the group keeping stakes in most of them. Breaking up conglomerates normally makes industrial sense; and when the process exposes previously hidden jewels it can enrich shareholders too. But not always, with Hanson, for example, the main effect has been to expose the previous destruction of wealth.

Gearing-up balance sheets has also been a largely healthy trend. Britain's banks and utilities have embraced share buybacks and special dividends with particular enthusiasm. Groups with few growth opportunities are right to load themselves up with cheap debt which is more tax-advantageous than equity. Next year Germany, where buybacks are being legalised, could take up the baton.

Privatisation has continued unabated. Even Britain, which has been selling state assets for over a decade, found two chunky companies to sell – Railtrack and British Energy. And the cupboard is still not bare: a brave government would privatise the BBC, Channel 4, London Underground and the Post Office. Elsewhere, with luck, the hyper Deutsche Telekom from will get Germany's risk-averse investors more flexible and competitive.

In an attempt to calm the situation, the country's largest employers' group said it would only use the new redundancy powers in an emergency. Mr Han Seung-soo, the finance minister, said the new law would protect jobs in the long term by making Korea's economy more flexible and competitive.

The strikers are the worst industrial action since the late 1980s and reveal widespread resentment at the passage through parliament on Thursday of legislation allowing companies to lay off workers, increase working hours and introduce substitute labour for striking workers.

Unions said they were angry that the legislation was railroaded through the National Assembly in an unscheduled early morning session behind the backs of the opposition.

The government also used the opportunity to pass another bill, strengthening the powers of the Agency for National Security Planning,

the organisation used to stifle political opposition when Korea was a military dictatorship.

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JULY 1996

# Weekend FT

Last week, Sally Bowen was one of 600 hostages taken at a party at the Japanese Ambassador's residence in Peru by a guerrilla group. She tells of her role as witness and participant

## An unscripted bit-part player in a televised revolution

**H**is red-and-white bandanna bore the black scrawled initials of the guerrilla group he commanded. His dark eyes burned with conviction as he spoke of martyrdom and structural violence, of the hunger and misery of the poor and marginalised. He was consistently composed, articulate and courteous. He was the Latin American guerrilla from Central Casting, with the Kalashnikov and the clichés and the nom de guerre Comandante Huerta.

Nestor Corpa Cartolini was the Peru of the past arriving with his comrades to haunt the present. They had emerged from the jungle into the urban light of Lima, capital of an "emerging market", where the official talk is more of privatisation than revolution. We found ourselves face-to-face in an elegant downtown reception room at the Japanese ambassador's residence.

Behind us, in the garden, was the evidence that he and his comrades had gate-crashed the party to celebrate the birthday of Japan's Emperor Akihito. The sushi buffet table was upturned, the ground littered with wine and whisky glasses dropped in haste or in fear.

The Emperor's birthday party was the place to be that evening. It is a particularly important event in the Peruvian diplomatic calendar and, for the free-loader, a prime opportunity to feed on complimentary sushi and sake. Peru has the second largest Japanese population in Latin America, behind Brazil, also a destination for poor farming families at the turn of the century. But Peru has the only ethnic Japanese leader, outside Tokyo, and has been adopted by Japanese investment and aid agencies.

Government ministers,

military officers and police chiefs had gathered, along with foreign diplomats and most of the Japanese business community. By 8pm the pisco sours and sake were flowing, and the chit-chat included whether President Alberto Fujimori would make an appearance. There was the mandatory frivolous gossip and serious talk about the disappointing performance of the Peruvian economy and the sustainability of the neo-liberal model.

Then, into the midst of the neo-liberals came the old

'Don't lift your heads,' they ordered, 'or they'll be shot off.' I had never felt so mortal

revolutionaries. In a matter of moments, as deafening bursts of automatic gunfire followed a large explosion, there was no doubt that we were under terrorist attack. "This is very bad news indeed," said my neighbour, overwhelmed in his classic British understatement. But with bullets coming apparently from both sides of the marquee, this was no time for the stiff upper lip or dignity. We flung ourselves to the ground. All around us the elegantly dressed guests were doing the same.

Above the staccato gunfire, strangely disembodied voices announced that we were in the hands of the Tupac Amaru Revolutionary Movement (MRTA). "Don't lift your heads," they ordered, "or they'll be shot off." Eight years in Peru takes a journalist into the dangerous and the frightening.

ing, but I had never felt so mortal. On and off for about 40 minutes we remained under fire and I could not stop myself from imagining what a bullet tearing through flesh was like.

Gradually, journalistic instinct surfaced among the fear. I raised my head a little and took a first look at our new hosts. Three stalked the marquee. Covering the lower parts of their faces were vivid red-and-white bandanas, the colours of the Peruvian and Japanese flag, which contrasted with their sober dress. They were agitated, swinging their battered rifles from side to side, cursing the counter-terrorist police who continued to fire indiscriminately into the residence from outside.

"See what shit they are," shouted one of our captors. "If you die, it'll be because of them."

Although the MRTA is violent and certainly capable of killing, the movement likes to cultivate a humane image. Unlike the infinitely bloodier and cruel Sendero Luminoso (the Maoist throwbacks called Shining Path in English), its leaders have traditionally tried to spread their ideology more through persuasion than the terror of extreme brutality. They are also noted for their respect for journalists and for their intelligent use of the media.

By the time the gunfire ceased and we were ordered to stand up, rehearsing the arguments about the guerrillas' innate humanity had given me a surprising confidence and resilience. For a while, I resisted the indignity of putting my hands behind my head as ordered – it seemed too obvious a capitulation. But seeing everyone else complying, I followed.

It is said that war is nine parts boredom, one-part action. Being a hostage is similar. For three hours, after being split up into a

A disguised Corpa delivers the big screen message to passers-by in Tokyo

number of rooms, the hundreds of reception guests sat quietly, talking little, smoking, women comforting each other. There was no panic, just a strange inactivity.

Our boredom was ended from the outside. The police, presumably to harass the guerrillas, fired tear gas into

the residence. In seconds, we were all choking, eyes and throat burning. Again the guerrillas, who had brought gas masks in readiness for the obvious, delivered the usual expletives against the Peruvian police. Again, we were inclined, at that moment, to second their

curse. The guerrilla "mind-

ing" our group of about 30 on a landing upstairs

thoughtfully brought me a plastic bowl of cold water and gave me his fresh white handkerchief to bathe the stinging eyes.

Continued on Page II



Joe Rogaly

## Millennium squanderama

Has anyone given a thought to what it really means?

**L**ooking forward to the millennium? Forgive me for asking, but this is the reason for ridiculous questions. The answer is a lemon. If you ask it in Britain, the outgoing government is leaving a curious bequest, a package of plans to spend money to promote an abstract notion. It will have to be completed by its successor administration. The scheme was devised during the vainglorious years of Tory ascendancy. Conservatives, the ones who masterminded the celebrations of victory in Europe and over Japan, think they know about lifting the national spirit.

Fate may slap these dreamers in the face, wake them up, shake them about a little. For it looks likely to be New Labour, possibly a little showbother by then, that sings the praises of New Britain. We are deep into the irony age. The primary source of finance for the Tory-designed squanderama is the Tory-designed national lottery. The Millennium Commission is one of

its "good causes", a term that places a veil of benevolent intent over the wicked act of enriching people who cannot afford it to buy their weekly tickets.

No one is complaining, least of all Labour. Marx was wrong. Greed, not religion, is the opium of the masses. The expectation is that some \$1.5bn of ex-lottery income will be blazed over the next three years to sustain a fantasy nurtured by Conservative ministers over the last decade. It could be more, if the life of the commission is extended to pick up bills that stretch into the next century.

It is already in for £200m, an eighth of its total expected outlay, for a throwaway dome on a derelict site. You can put any price you like on this domed scheme today – £500m, £600m, £700m, whatever. I will merely reply "British Library" and, for good measure, "Channel Tunnel" – cryptograms for "uncontrollable expenditure over-runs".

No wonder the likely incoming government, the one whose ministers would

argue, Only part of the cost is to be met by the Millennium Commission, although that part could grow. The rest is to come from as many private companies as can be鼓led into contributing, plus ticket sales and merchandising. There will be a boost to tourism.

When the dome has been reduced to a pile of environmentally friendly remains,

the Greenwich bank of the Thames will still be blessed with a station on the new Jubilee Underground line. An entire peninsula on the river will have been regenerated. Mr Michael Heseltine will beam with joy – if it is not cancelled by his Labour successor.

Let us grant all that. The same could not have been said of the Great Exhibition of 1851. That was a blatant sales pitch for the world's then leading industrial nation. The Crystal Palace, set in 19 acres of Hyde Park, did not last. The boast-for-Britain line held true, up to a point, a century later; we even have the Royal Festival Hall to show for it. Criticised in advance, the Festival of Britain is fondly remembered.

It was designed by a Labour government to enhance the postwar mood. It took the incoming Tories to do the real job, but not with the festival. Their post-1951 economic management turned the country round. It entered the age of "we never had it so good". To some of today's nostalgic

gics, that is still true.

We should also acknowledge that the Millennium Commission itself is simply doing what it was set up to do. It is allocating £1bn towards tangible projects, from a national cycle network, through the creation of "community woodlands" to the erection of a fully-glassed bell tower.

Millennium money has

become a pot of gold with

bands from every parish reaching for it. Not all of this will be spent unwisely. Some of the individual recipients of cheques from the £200m set aside for awards will deserve them.

So what, you may ask, explains the mildly critical tone you may have discerned in the above passages? It is just that the year 2000, marking a particular number of whizzies of this planet around its sun, is either a mere ticking of the clock or a sacred date. If it is a dial on a time machine

we might as well have our moment of expensive bombast on any day we choose – January 1 2000, or a year later, or on the anniversary



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## PERSPECTIVES

**W**e could be the last generation to die." This conversation stopper was delivered by a sombre middle-aged scientist at a dinner party this month.

The ensuing silence was brief. What would happen to populations, employment, pensions? Wouldn't boredom tempt people to take their own lives anyway? How could a respected scientist utter such rubbish?

The answer to the last question is easy: molecular biologists are beginning to work out the basics of what happens when people get old.

Some of the most promising observations concern the caps that protect the ends of chromosomes. These caps, called telomeres, wear away a little each time the cell divides. After many divisions they have almost gone and the cell stops dividing.

Cells that do not divide are not replaced when they die. Wounds

## How to live longer, at least in the lab

Daniel Green on important findings about the life of cells

heal more slowly in the elderly.

Many "senescent" cells do not die, but they do change. In the walls of blood vessels, for example, they seem to encourage blood cells to stick to each other. Sticky blood cells are dangerous. If a clot is big enough, it can lead to heart attack or stroke.

For many years, scientists did not know whether these effects were just a coincidence. Perhaps that the telomere shortening was as much an effect of old age as wrinkled skin.

However, earlier this year a team at the University of Texas Southwestern in Dallas accidentally lengthened the telomeres in

some cells. They crossed these cells with ordinary cells, so the hybrids had longer than normal telomeres. The new cells were able to divide more often than their normal parents.

"That means that telomeres are not just clocks measuring the age of cells," says Jerry Shay of UT Southwestern. "It means that the length of a telomere is an important factor in making a cell live longer."

To turn that knowledge into medicine requires a closer look at what happens when cells divide. The division involves the copying of the genetic information in the chromosome, so that

there are two identical chromosomes in the daughter cells. The copying mechanism is a molecule that runs along the length of the chromosome reading its contents.

The molecule stops reading the chromosome when it encounters the telomere. It then sends the readout, in the form of another molecule, to be used in the creation of the new cell.

Unfortunately, the one part of

the chromosome that is not copied properly is the telomere itself. The daughter cells are just like their parent except that their telomeres are shorter. So each cell division brings a cell in-

exorably closer to senescence. But there are two groups of cells in the body that keep telomeres whole through cell division. One group is the reproductive system, where it is vital for sperm and eggs' cells to have full-sized telomeres so that the children's cells live as long as their parents'. The second group is in cancer. Tumour cells can divide indefinitely without damaging themselves.

What these two groups have in common is an enzyme - telomerase - that allows the telomeres to be duplicated in full.

So scientists face a dilemma. Should they try to block telomerase to treat cancer? Or should they encourage it so that cells - and perhaps people - live longer? To most scientists, tackling cancer seems the more promising route.

Cal Harley, chief scientist at Geron, a US biotechnology company set up to exploit telomeres knowhow, admits his peers are sceptical about whether telomerase can be used to make people live longer.

Cell at blood vessel junctions are candidates. They need to replicate quickly to replace those that are washed away and as a result their telomeres shorten quickly. Problems at arterial junctions can be a source of blood clotting in the elderly.

The procedure has yet to be proved in principle, let alone through clinical trials. That makes it at least a decade away from becoming standard medical practice.

So if the thought that your children may be immortal while you are not upsets you, be reassured. The chances are that they will die too, although medical science may have advanced far enough for the lifespan of some of their organs to be extended.

## Dispatches

## On tour in Soweto

Mark Ashurst visits an unlikely new tourist location

**T**he sprawling South Western Township outside Johannesburg has never been like the world's other labour camps. Nor was it meant to be.

The town planners who built Soweto in the 1960s reckoned that if conditions were uninhabitable, relatives of the black workers they stored there would choose to stay in the hills. Mercifully, Sowetans are today more welcoming to the rising numbers of white tourists visiting their home.

As recently as 1983, commercial tours of Soweto were limited to a single operator promising a glimpse of the township from behind the bullet-proof windows of an air-conditioned bus.

Today, a handful of entrepreneurs offer tours of its landmarks, shebeens and jazz clubs. "We are taking the fear out of Soweto," says Lancelet Sello, the 30-year-old director of Abantu Tours, which offers day and night visits on demand. His clients are an even mix of white South Africans and foreign tourists.

From its origins as a labour camp, Soweto has mushroomed into Africa's largest city, a settlement of 5m people occupying 104 sq km. The overcrowding made a mockery of official efforts to separate different ethnic groups, while the rapid industrialisation of the Witwatersrand gold basin created a new black urban elite.

Sowetans defied both the traditional hierarchy of the rural African tribes and the proscribed segregation of apartheid. In the bloodiest days of insurrection, they led the Struggle - most famously in the student uprising of June 1976. And as the country edged towards reconciliation in the early 1990s, Soweto was the first of the warrior townships to embrace the notion of a "rainbow nation".

He is hoping to double his previous year's turnover of \$20,000, but is still waiting for the big breakthrough. "The product is beginning to sell itself as the word gets around," he said.

"However, I am convinced the most interesting applications lie in mining, but I am still at a loss to know how to break into that industry."

Devon Farmer John Elliot, whose range of shiny stirring machines were featured in June, has received requests for details from all over the world, including one from Australia asking if the machine would be suitable for stirring sausage skin mixtures.

He is hoping to double his previous year's turnover of \$20,000, but is still waiting for the big breakthrough. "The product is beginning to sell itself as the word gets around," he said.

"However, I am convinced the most interesting applications lie in mining, but I am still at a loss to know how to break into that industry."

At Winnie Mandela's mansion, he accelerates past a

Mercedes nosing into the street

The late Joe Slovo, Mandela's closest white ally and former chief of the South African Communist party, was buried here in January 1995. At Winnie Mandela's mansion, he accelerates quickly past a white Mercedes nosing its way into the street. "She won't come out if she sees us," he says.

That evening, at a shoo-been in the converted garage of Churchill Moebel, Winnie is a favourite topic of conversation.

So, too, is the fate of Bantu Holomisa, Winnie's populist protege recently expelled from the ANC. "Nobody knows what's going on at Shell House (the ANC's head office)," complains one drinker. But in this company at least, there are nods of approval for the controversial decision by Cyril Ramaphosa, Winnie's arch enemy, to quit the presidential race and make his fortune in the business world.

As the "cellular phones" township slang for pocket-sized quarts of brandy begin to flow, we savour vintage recordings from Churchill's jazz collection. His most enthusiastic patrons are Afrikans, says Lancelet, who wants to build a motel of insulated shacks so tourists can stay the night.

"They never want to leave. You have to push them back into the van".

■ **Abantu Tours:** PO Box 32777 Yeoville 2143 Johannesburg. Tel: 27 11 643 7066. Fax: 27 11 643 2108.

Check-in 1100-1700. Tel: 27 11 643 1022. Tel: 27 11 643 1023. Fax: 27 11 643 1024. Tel: 27 11 643 1025. Fax: 27 11 643 1026. Tel: 27 11 643 1027. Fax: 27 11 643 1028. Tel: 27 11 643 1029. Fax: 27 11 643 1030. Tel: 27 11 643 1031. Fax: 27 11 643 1032. Tel: 27 11 643 1033. Fax: 27 11 643 1034. Tel: 27 11 643 1035. Fax: 27 11 643 1036. Tel: 27 11 643 1037. Fax: 27 11 643 1038. Tel: 27 11 643 1039. Fax: 27 11 643 1040. Tel: 27 11 643 1041. Fax: 27 11 643 1042. Tel: 27 11 643 1043. Fax: 27 11 643 1044. Tel: 27 11 643 1045. Fax: 27 11 643 1046. Tel: 27 11 643 1047. Fax: 27 11 643 1048. Tel: 27 11 643 1049. Fax: 27 11 643 1050. Tel: 27 11 643 1051. Fax: 27 11 643 1052. Tel: 27 11 643 1053. Fax: 27 11 643 1054. Tel: 27 11 643 1055. Fax: 27 11 643 1056. Tel: 27 11 643 1057. Fax: 27 11 643 1058. Tel: 27 11 643 1059. Fax: 27 11 643 1060. Tel: 27 11 643 1061. Fax: 27 11 643 1062. Tel: 27 11 643 1063. Fax: 27 11 643 1064. Tel: 27 11 643 1065. Fax: 27 11 643 1066. Tel: 27 11 643 1067. 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A CHRISTMAS THRILLER

# Collateral Damage

A Christmas financial mystery in five parts by thriller writer Peter

Tasker, Japan strategist for Dresdner Kleinwort Benson and author of *Silent Thunder* and *Buddha Kiss*.

## The story so far:

Charlie hears that her colleague Piers Montagu, an investment manager, is dead. At Piers' funeral are his wife Susan, Charlie, and her assistant, Natasha.

It emerges that Piers had mysteriously made huge investments in aluminium which threaten to bring down Berwick Brothers bank.

Clues have taken Charlie to Hong Kong and a company called Lucky Snake, run by Alexander Wu, who had cultivated close links with the powerful Mitsukawa conglomerate of Japan.

Charlie manages to obtain a computer disk from Wu's house but is caught by a bodyguard dressed as a clown.

*The results of the Collateral Damage competition will appear in Monday's FT.*

## CHAPTER FIVE

**C**harlie tried to yell, but the only sound that emerged was a gurgle. The clown shook her, hard enough to make her dizzy, then squeezed again, his thumbs digging into her windpipe. Charlie kicked and squirmed, eyes swimming, the blood pounding in her ears.

The clown forced her back against the wall, his face just inches from hers. Fluffy wig, red nose, nicotine teeth bared in a grimace. Charlie flailed at his face, and her fingernails left trails in the white greasepaint.

The clown snarled saliva strings and thrust a hand above his head. A throwing knife appeared in the palm. Charlie wriggled desperately, but the remaining hand had a grip of iron.

"Holl!"

A shout from nearby. Instinctively, the clown's head turned. Charlie took the moment and used it, pushing forward from the wall, sending them both reeling off balance. As they tumbled to the ground, she

**Charlie switched off the phone and said: 'I don't want anyone to disturb us tonight.'**

lunged with her knee, using her momentum to drive it home. The clown gave a grunt and doubled up into a ball. Charlie rolled free.

"Charlie! Are you alright?"

Donald ran forward, put out a hand to help her up. Charlie staggered upright, sucking in air in huge gasps. She pointed a shaky finger at the clown.

"What's going on?" said Donald. "I've been looking for you everywhere."

Before she could summon the breath to explain, the clown jumped to his feet and charged forward, face contorted with rage. Donald grabbed his arm, swung him round, and smashed his head into the wall.

The clown gave a bellow of shock. Donald pulled him back and did it again, this time harder. The clown slumped to the ground, where he lay motionless, like a giant rag doll.

It took a few seconds for Charlie to collect herself. "That's pretty good," she creaked. "Perhaps you should try kung fu films."

Donald nodded solemnly. "I've been thinking about that," he said. "Does your bank do movie stuff too?"



This is the best short-selling opportunity since the ERM crisis of '92.

The plan involved Charlie staying up all night in Alan's flat, gulping down coffee and adding considerably to the revenues of Hong Kong Telecom.

She dealt first in London and then in New York. Using a number of different brokers, she sold steadily, unerringly, until the sun rose over the South China Sea.

She dozed for a few hours on the tiny balcony, made a

of World Metal Users, which described the recent price action as "purely speculative".

Metal Newswire - "Yesterday, industrial metals were pulled down by another sharp fall in aluminium. Traders were at a loss to explain the market's response to bullish news of large inventory drawdowns."

AP - "The metal is now in free-fall," said one white-faced trader in the aluminium market. Reports of upward revisions to surging Chinese demand had zero effect."

going to be spending a lot more time with his family. If you cared to make an application for his position, it would be welcomed most warmly."

"Not really my cup of tea," said Charlie. "But there are a couple of points that you might be able to help with."

"Your wish is my command," said the lordly gardener with an airy wave of the hand.

Nodding a greeting to the bath's only other occupant, he lay back to contemplate the scene: the cluster of

bloody was the man at the very top: a bejewelled boudoir who had prospered mightily from the Napoleonic Wars.

"Well, first of all I'd like

to talk on a *nomine* basis, without pretence or reserve, to men of the same level of experience and knowledge.

"This was a difficult year," grunted the Mantis, spreading out his stick-like limbs.

"Every year becomes more difficult," said the other man. "Without a guiding hand like yours, this country would already have collapsed."

The Mantis nodded weakly. "But without your help, my efforts would come to nothing. If widely known, this incident could have serious international consequences."

The other man did not deny the compliment. There would have been no point. Partly because of his pale, fleshy appearance and partly in recognition of his extraordinary powers of obfuscation, he had been given his nickname: the Squid.

An ex-bureau chief at the Ministry of Finance, ex-head of the Fair Trade Commission and ex-member of the Sumo Association's ranking committee, the Squid had spent the last 10 years as an advisor to a long-established Japanese trust bank.

It was a fortunate appointment. After the collapse of the "bubble economy", he had worked tirelessly to conceal the bank's vast holdings of bad loans and to avert any investigation into what had actually happened to the money.

"I am not a dreamer," said the Squid. "But I can understand the lure of dreams. To bring together Japan and China - the technology, the capital, the people - no force on earth could withstand such a combination of

talent and drive."

"Often happens," nodded the lordly gardener gravely.

"And easily rectified. I shouldn't wonder."

Glancing at the portraits on the wall, Charlie fancied that the one he most resembled was the man at the very top: a bejewelled boudoir who had prospered mightily from the Napoleonic Wars.

Still, the Mantis always enjoyed these occasions. They gave him an excuse to reminisce about simpler, better days when human beings could be relied on to act with total sincerity. They also

gave him a rare opportunity to talk on a *nomine* basis, without pretence or reserve, to men of the same level of experience and knowledge.

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Continued on next page

## PERSPECTIVES

**A**utumn salmon fishing is not for the lily-livered. There may be days when the breeze comes softly from the south, and there is real warmth in the sun. But they are outnumbered by those of wind and rain and Arctic cold, on which life for the angler is hard.

For some reason, appeals for sympathy from the vast, ill-informed, non-angling population tend to receive a dusty response. If it is such an ordeal, these unkind souls comment, why do it?

The reason is that on a handful of Scottish rivers - chief among the great, the marvellous Tweed - this is the time of the real salmon run. And men are happy to pay king's ransoms for the chance to endure all that discomfort and get a slice of the action.

I am not one of those men, having not even a princeling's ransom at my disposal. But I do have a friend whose house sits a little way back from one of the most famous and productive pools on the middle Tweed. And when he offered me a precious, prime-

time day, I snapped at it.

Before that day, though, there were two other days on a river I had hardly heard of, the gift of another generous chum. The river was the Teith, which flows down by Callander and Doune to the Firth of Forth. It is a gallant piece of fly water, the loveliness of whose valley was something of a surprise in an otherwise unremarkable stretch of country.

The water was much higher than it should have been for good fishing, and many of the pools were out of commission. We were thus confined to two or three more tranquil spots where the late running fish might be tempted to lie up and rest.

There was one in particular, the Dam Pool they called it, a

fine, long sweep of water with just the right depth and weight of current to work a fly properly. Not that I caught anything in it. My friend, however, did, with a regularity which even now perplexes me. He had little to distinguish him from the rest of the pack, except that he fished intently but not obsessively. His casting was efficient, but not outstanding. You would not say that he resembled an expert.

Yet he caught four fish from that pool, the only salmon taken by the party during the week. And he hooked a fifth, which was lost in regrettable fashion almost at the net, as darkness fell on our last day. All in the party fished the same water, put the same flies over the same population of

fish in pretty much the same way, and never got a touch. Our successful friend, however, being a fine fellow, was properly apologetic about the mystery.

Together, he and I motored down to the Tweed, where we were astonished and disconcerted

to be informed by our host - "a man of notably pessimistic outlook" - that conditions were well nigh perfect. The water had been high, but had come down to an ideal height. Fish had been showing in numbers. The harvest was ready to be brought in.

That was on the eve of our day. Next morning, I became aware of horrible things happening outside my window. Tree tops were bent. Leaves were flying around in mad dances. Clouds were hurtling from one side of the sky to the other.

Down on the river the violence of the wind was appalling. A moderate sea was running down the pool where the fish were to be found. And herein lay the real snag. The pool had to be fished

from a boat, a boat which had to be held in the teeth of the gale by the strength of a man - for tradition runs deep here, and they scorn conveniences like engines.

The man for me was Malcolm, the head ghillie, one of Coldstream's toughest and finest. If I was game, so was he. But was I? I looked out at the foam-topped waves, heard the roaring of the trees, and had my doubts. But how could I back out, with dignity intact?

So out we went, Malcolm at the oars, myself perched on the circular fishing stool, feeling distinctly queasy. My own task, I thought, was severe enough - to get a big heavy fly on a fast-sinking line out and across the fiendish wind. I thrashed about, and gasped and

cursed, back, wrists and shoulders protesting. I occasionally, very occasionally, delivered the fly to Malcolm's satisfaction.

As for him, I do not know how he did it; nor how he found the breath to berate me genially for my ineptitude. He was stretched to the limit to keep the heavy wooden craft steady as we came down to the lies. Underneath his coat, he was damp with sweat to

Over lunch we prayed for respite, but respite was there none. I had a pull in the afternoon, a fleeting contact which gave us hope, which the tempest pitilessly snuffed out. Malcolm strained on the oars and I remained silent about my own sufferings. His season begins in February, ends at November's end. Ten months. And I had had just one day.

What oppressed Malcolm was not the hell out on the water, but that it should have all been for nothing. One fish, one proper Tweed salmon in its autumn finery, would have redeemed it all. But it was not to be.

## Fishing

# My kingdom for a salmon

Tom Fort braves the Arctic weather with a hope and a prayer for Scotland's finest



## Schemer who shaped Malaya

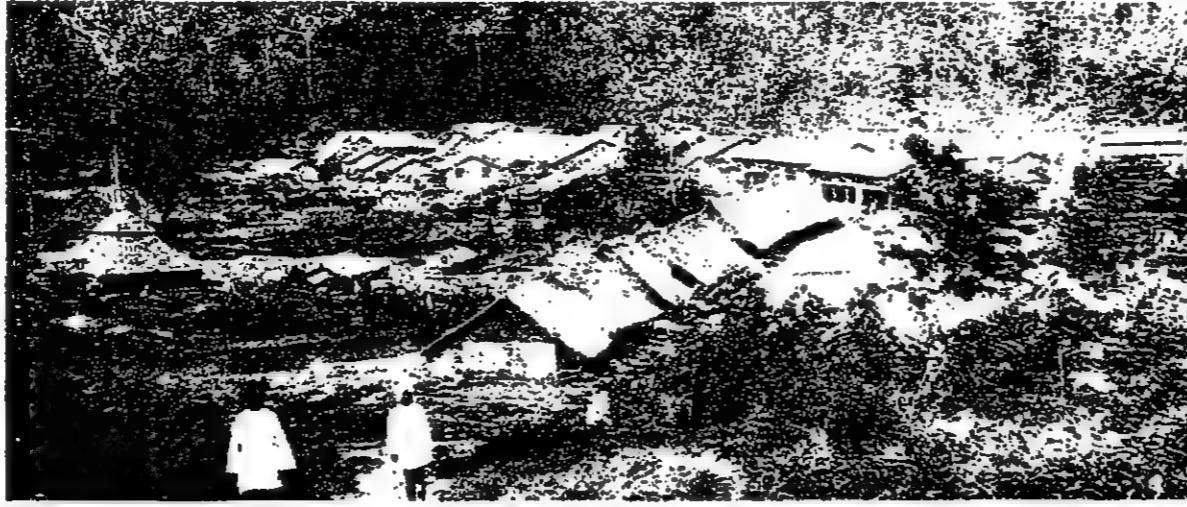
The biography of Sir Frank Swettenham suggests much is unchanged in 100 years, says Philip Bowring

**K**uala Lumpur: The topping out of the world's tallest building has placed this city in the global consciousness. Paris may be more beautiful, Cairo more ancient, New York more vibrant, but the twin 88-storey, 450m towers of the Petronas Centre have handed to Malaysia's capital a record held for a century by America. It also intends to have the world's longest building, snaking along the muddy, tin-rich river which helped to give the city its name and fortune.

Notwithstanding that Guinness is brewed here, this headlong pursuit of places in the Guinness Book of Records may be surprising to those whose vision of Kuala Lumpur is of a green, unhurried, garden city. Actually, despite tragic jams and bouts of pollution it still is - at least compared to its ASEAN mates such as Manila, Bangkok, Jakarta.

But this is an upwardly mobile city if ever there was one. Less noticed than the Petronas Centre is the fact that this year was the centenary of Kuala Lumpur becoming the capital of the British colonial construction known as the Federation of Malaya States (FMS in imperial parlance), the forerunner of modern Malaysia.

The conversion of what was the city's racecourse into the world's tallest building is a monument to the drive of Malaysia's prime minister, Dr Mahathir Mohamad, to industrialise



Kuala Lumpur in the early 1890s consisted of the huts of Chinese tin miners

Swettenham, by H.S. Barlow. Published by Hutchinson

his nation. But to those of a historical bent it is also a reminder of how far Malaysia has moved, not just during Mahathir's 15 years, not even since independence in 1957, but since a 21-year old Frank Swettenham arrived in Kuala Lumpur in 1872.

It then consisted of the huts of Chinese miners extracting alluvial tin from the land around the Klang and Gombak rivers. It was effectively ruled neither by the Sultan of Selangor, in whose state it fell, nor by his British "protectors".

Rather one Yap Ah Lay, otherwise known as Kapitan China, exercised effective if brutal authority over Chinese "tin rush" gangs and assorted fortune seekers and camp followers.

It may be politically incorrect to mention the role of colonial rulers in the destiny of modern independent states. But a timely reminder has come in the publication of the first full-length biography of Sir Frank Swettenham. Between his arrival in Singapore in 1871 as a junior official in the Straits Settlements and his departure as governor in 1903, he remained active in its affairs from London as an investor in rubber plantations and as a thorn in the side of the Colonial Office until his death in 1946 aged 95.

Swettenham's name is no longer on the Malaysian map. Port Swettenham made way in the 1970s for Port Klang, at the mouth of the Klang river downstream from Kuala Lumpur. He would scarcely resent this. His fluency in Malay and ability to get along with most of the sultans was a key to his success.

Another name linked to Swettenham does survive - the Highlands and Lowlands plantation group of which he was a founder. It also forms the connection between Swettenham and his biographer, Henry Barlow, son of

the founder of the Barlow estates agency with which Highlands and Lowlands was associated.

Barlow's 780-page study of Swettenham suggests many things have not changed on the Malay peninsula in the past 100 years. Dubious commercial deals, sex galore, official arrogance, endless politicking and much partying go together with boundless optimism, immense energy, an explosion of development and the subordination of racial antagonisms to the pursuit of general prosperity.

Barlow includes much hitherto unknown detail about the scandals of Swettenham's personal life, particularly involving his popular, but highly-strung first wife - Sydney. Both parties were promiscuous and she had a still-born child by

another man. He failed in his first attempt to divorce her, but finally succeeded, when he was 87-years-old, after she had been committed as insane.

At one level Swettenham was an archetypal colonialist. He pushed an encroachment by the British on the affairs of the Malay sultans and furthered British and immigrant Chinese commercial interests at a time when tin was a boom metal and plantation agriculture offered boundless opportunities. But the changes to which he contributed transformed the peninsula from a sparsely populated fringe of the Malay world into a modern state at its centre.

He created the idea of the FMS (initially there were four members), sold it to London and the sultans and became its first resident-general. And his scheming also later resulted in the northern Malay states being detached from Thai suzerainty, making it eventually possible to create a single Malayan political entity out of the nine sultanates plus Malacca and Penang.

Modern Kuala Lumpur is a

tribute to Malay as well as

Malaysian advance, to Malay progress without colonial administrators or immigrant Chinese gang bosses. In spite of the sometimes stern admonitions of Dr Mahathir and occasional intrusions of religious zealots, it is a relaxed and sybaritic place in a way that perhaps only truly multiracial cities can be. Sir Frank and Kapitan China would feel at home.



Sir Frank Swettenham helped transform the peninsula

## A CHRISTMAS THRILLER

### Collateral Damage

From previous page

power. The arrogance of westerners would be broken for ever."

"Dreams fade at the coming of daylight," said the Mantis, bony knees tucked under his hairy chin.

"This joining of power that you mention may happen or not. We must weigh the balance of advantage step by step. Irresponsible acts must certainly not be allowed to risk all that has been achieved."

"And what happens to the dreamers when their dreams are broken?"

"They must be broken too. With great discretion, of course."

The two men fell silent. After a while the Squid hauled his rubbery limbs out of the bath. His wooden sandals were clip-clopping up the path, leaving the Mantis alone with his thoughts.

□ □ □

Bloomberg - "After 10 days of turmoil, an uneasy calm returned to the LME yesterday for the second day in a row. Chartist are tentatively calling a bottom in the aluminium price, which has now retraced all the gains of the past two years."

Reuters - "Trading in the metals markets was lethargic for the second day in a row. Chartist are tentatively calling a bottom in the aluminium price, which has now retraced all the gains of the past two years."

Metals Wire - "Metals prices slid again yesterday after traders heard of the death of Ichiro Sawaguchi, one of the most influential figures in the commodities market. According to a spokesman for Mitsubishi Corporation, Mr. Sawaguchi was a victim of 'karoshi', or death from overwork. The pressures of the recent recess-

sion have resulted in an increasing number of 'karoshi' deaths among Japanese salarymen."

□ □ □

Unusually, Natasha was going to miss the office party the next day.

"It's my mother," she explained to Charlie. "She's had some kind of a fall. I have to go back to Moscow."

"Oh no! I hope it isn't anything serious."

"Me too!" said Natasha, heaving a sigh.

"Anyway, I've got to go straight away. I'm on the four o'clock flight."

She looked paler than usual, seriously rattled in fact. A hug, a peck on each cheek, then she was rushing out of the dressing room, leaving nothing behind but a cloud of Chanel No.18.

And also one other thing.

A scrap of paper on the floor that she must have dropped when stuffing travel documents into her handbag. Charlie picked it up. There were a few words in Natasha's scrawled handwriting - a hotel name, a room number, a phone number. Charlie ran to the window.

There was Natasha down below, arm in the air to hail a cab. Charlie shoved the window open and was just about to shout down into the roar of the traffic when suddenly something clicked in her memory. She glanced at the scrap of paper again to be sure.

Then she closed the window, walked slowly back to her desk, and spent the next 10 minutes staring at a blank Bloomberg screen.

Finally, she picked up the phone.

□ □ □

Europe. She remembered the place well from the high-bond conference that she had attended there three years ago. It had a sumptuous Art Nouveau decor, including some of the finest Jugendstil stained glass in Europe. One of her colleagues had accompanied her on that trip. He had made joke after joke about the blue movies on the pay-TV system.

"Miss Natasha Orlov?" said the young desk-clerk in perfect Euro-English. "Yes, she checked into one of our suites last night at 10 o'clock. Shall I call up to the room for you?"

"That won't be necessary, thank you," said Charlie, and made for the lift.

At the third floor, the splendid wrought-iron door slid open to let in a young waitress. She was wearing a rather coquettish lace hat and pushing a trolley loaded with food and drink: two bottles of vintage champagne, caviar and blinis, a basket of croissants, also a copy of the Daily Mail.

At the 16th floor, the waitress gave a little giggle. "Ah yes. In Holland we understand such things."

Charlie slipped on the hat, then pushed the trolley down the corridor, giving it a good rattle when she arrived at room 908. She knocked on the door.

"Wait a moment," said Natasha from the inside. She peered through the peephole at Charlie's bowed head, then undid the chain. Charlie wheeled the trolley inside. Piers Montagu was lying on the bed in a white flannel dressing-gown watching an Oasis video on MTV. He didn't even look up until Charlie bashed the trolley against the wall.

"Hello, you bastard," she said.

Piers sprang to his feet at the sound of her voice. Then he sat down again on the bed, a smirk of little-boy triumph spread across his face.

"Yo, Charlie," he said in his plummy accent. "Merry Christmas, kid."

□ □ □

"I don't get it," said Amos. "Whatever possessed him to do something like that?"

Charlie fitted a walnut between the silver jaws of a nut-cracker. "The same as what motivates all investors - fear and greed. The whole thing started when Piers was a warrant trader in Tokyo in the late eighties. He got caught mis-pricing trades for a big corporate client and diverted the profits to his personal account."

"And that client was a Japanese trading house?"

The walnut shattered with a sudden crack. "That's right. Mitsubishi realised something fishy was going on and called him in. Piers begged them to hush it up. He smiled brightly and took another 100 guinea note from her wallet. The

waitress gave a little giggle. "Ah yes. In Holland we understand such things."

Charlie slipped on the hat, then pushed the trolley down the corridor. Charlie waited.

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Shorting means selling stock you don't own. So you have to be pretty confident that the price is going to fall - just as I was with aluminium."

"And that client was a Japanese trading house?"

The walnut shattered with a sudden crack. "That's right. Mitsubishi realised something fishy was going on and called him in. Piers begged them to hush it up. On the size of his position, Piers

would have stood to collect at least £20m."

"£20m!" mused Amos, nibbling tentatively at the crust. "That would buy quite a few Henry Moores, no?"

"But first of all he needed to disappear," went on Charlie. "So he made Susan get the right sort of body from the teaching hospital where she worked. Then he sold it, lifting a pie from the plate and gazing at it.

"What about the greed?"

"Ah - that was Piers' one stroke of genius. He knew that disaster was looming, and he reckoned he could identify it the next day. All very neat."

"Charlie, you're a genius. How did you work all that out?"

## HOW TO SPEND IT / FASHION

# Laughter keeps Alaia flying high

Marion Hume meets a fiercely independent designer who has found fortune despite his refusal to join the hoopla of the couture ranks



From left:  
□ Flecked tweed tailored jacket with matching trousers, price on request. Available from Azzedine Alaia, 18 rue de la Verrerie, 75004 Paris (33-1-42 72 19 19)

□ Cropped matador-style jacket encrusted with beading. Available in leather from Joseph, 16 Sloane Street, London SW1 (0171-235 1991), and 77 Fulham Road, London SW3 (0171-623 9500), £4,435

□ Stretch, sequined sporty dress with mirrored hem. Available from Joseph (as above), £1,995

□ Full-length shiny shift dress, of viscose knit embellished with sequins. Available from Joseph (as above), £3,665

Illustrations: Richard Gray

**F**ashion insiders have begun counting the days until the haute couture shows in Paris next month. It promises to be the most exciting season in years. There is the British duo, John Galliano and Alexander McQueen, taking on the challenges of Dior and Givenchy; the mighty House of Chanel expected to go from strength to strength; and names familiar at ready-to-wear, including Jean Paul Gaultier and Thierry Mugler, attempting French fashion's heights for the first time.

One talent will be missing from the proceedings, however. When the governing body of haute couture decided recently to relax some of its more arcane rules, it was hoped that a designer who has long merged handwork with industrial techniques could be encouraged to join in. But the fiercely indepen-

dant Azzedine Alaia has chosen to remain apart, and reveal his next collection when he is ready. Women who are Alaia devotees will as ever, be prepared to wait.

Azzedine Alaia creations, which tend to arrive in Joseph shops, London, and in Barneys of New York, months later than expected, still sell like the proverbial hot cakes. Yet their creator has not had a fashion show since 1991, and has little

in the 1980s, works long and hard at a style that is constantly evolving.

Nowadays women with fantastic figures have learned to buy his expensive clothes not singly, but in multiples, for with Alaia, it is a case of here today, gone tomorrow. He believes men should look dowdy (he wears Chinese pyjamas every day); that they should give their money to women to look superb. Judging by the speed with which his clothes leave Joseph shops on Saturdays, there are many men and women who share his view.

He lives and works in a converted mattress and clock factory in the Marais district of Paris, surrounded by assistants, well-groomed cats and fluffy dogs. He moved in at the height of his fame, but even though money was needed to patch up the run-down building, he refused to follow the corporate line and turn his name into a brand name. There have never been Alaia perfumes or Alaia eyeshadows.

Only now, when he can do it in his own way, are there licensing plans to introduce eyewear, perfume and jeans collections before 2000. In the 1980s, those licensees who wanted to jump on the Alaia bandwagon were crying out for him to broaden his offering. When he refused, there were many who said he had missed his big chance. Behind his back, they called him "Has Been Alaia".

Not that the designer who arrived in Paris from Tunisia in the 1950s cared then, or cares now. Ten years on from the publication of a piece entitled "The Rise and Fall of Azzedine Alaia" in the powerful trade bible, Women's Wear Daily, the designer labelled a yesterday's man is laughing – something other designers rarely do.

Those who did join the ensemble are weighed down with responsibilities: of main line, cruise line and diffusion collections to produce, and licensees, shareholders and journalists to keep sweet. Not so Alaia, who only designs clothes for women and even then not necessarily for two collections a year.

And having a journalist around is not a corporate chore, but the chance to play jokes and tell stories.

But there are serious questions to be asked. Does Alaia, who was never seduced by the huge hoopla fashion show, feel vindicated now that designers from Saint Laurent to Calvin Klein are following his lead and turning away from the big productions?

Those shows never made sense. They were not to the advantage of the clothes and why have all that pressure?" says Alaia, smiling. "I refuse to suffer. I've never suffered

in my life because I'll keep that for when I'm old. I never let people impose upon me. If they try, I don't listen. Even if I deliver very late, my clothes sell."

"The supermodels," who are extremely wealthy women, are among his customers. They used to get the clothes for free, in return for modelling in Alaia shows when they were small-scale and private affairs.

"But now, they buy. They

**He doesn't advertise and doesn't play the game.**  
**Alaia does what he wants, when he wants**

are very rich. They can buy the building if they want."

He also likes to play tricks on them. The supermodel Linda Evangelista stopped talking to Alaia after she was called out of bed at 3am for an urgent, last-minute fitting on the eve of a Chanel show. Except there was no fitting and the door was locked. "But I didn't do it. I just gave someone else the idea to do it..." giggles Alaia.

A recent prank target was Narciso Rodriguez, the designer at Cerruti who created Carolyn Bessette Kennedy's wedding gown. "He

invited us for dinner and then on the night, an hour before, I telephoned and changed my voice and said, 'I am Mrs so-and-so, Avenue Foch, and I'd like to send my car and order some dresses'.

So he cancelled our dinner. I let him get very uncomfortable before I admitted anything. But everything I say about the Queen Mother, that's not a joke. I would never joke about her."

As to why Azzedine Alaia has not been in any hurry to cash in on the considerable power of his name, he says it is partly because he hates money. "I don't want to be rich, because afterwards I'll be sick because I'll have to leave it all behind to those who have said, 'Let's push him harder so he drops dead'. I don't want that," he says.

Despite having built a reputation on tight-fitting clothes, Alaia adores older women. His favourite is the Queen Mother, whose portrait has pride of place on his pinboard. "She is the most elegant woman. So what if perhaps now she does not have a 'corps sub-

lime. She possesses the epitome of an English sensibility, with those colours, those floral prints, far more chic than Lady Diana."

"I would adore to dress her. I would do just as she wanted, with the same prints; staying faithful to her image and the inspiration of the English garden," says Alaia, who is delighted by an anecdote about the Queen Mother possessing only three handbags – one in white, one in black and one which can be covered, and recovered, in fabric to match her outfit.

"I love the English style. I love the craziness, the oddness. For that, I also love Vivienne Westwood [to whom Alaia let his premises for shows when she was trying to establish her name in Paris]. I admire her work, she knows such a lot about fashion, she knows about cut, about history, about painting, she really has an eye. When I like people I try

Not that he is a stranger to the fruits of wealth. It is clear that Alaia and his business partner, Christoph von Weyhe, are canny. While Gedling designer who plans to learn at the master's right hand should be warned.

"I would keep him on his feet all day," he says, "then I would make sure I'm getting to the most interesting part of the pattern at two or three o'clock in the morning. Just as he has to go to bed. And when he says, 'How did you do that?' I'll say, 'When you were asleep. You missed it.'

But this is not a joke. People do come to work here and they work hard. Stories of Alaia assistants fainting on their feet in the wee hours are legion in Paris.

But not just any dresses. What he wants are historically important fashion pieces that occasionally appear at auction, and of which he has an enviable collection. He buys, with the money of benefactors, on behalf of the Museum of Marseilles. When he acquires for his private collection, it is through the considerable generosity of his friends.

"Once in London, there was a Vionnet dress that was coming up for sale and the estimate was not so expensive. So I phoned Joseph [the London retailer] and I said, 'Joseph. Do you love me?' He said, 'Of course, and I said, 'There is an auction. There is a Vionnet dress in it I would love, and he said, 'Then I will gladly buy it for you'."

"He had never been to an auction, so I told him, 'You don't have to go in person, you can bid by telephone, but don't let the dress go'."

But when the sale commenced, the fee went up and up and up past the estimate and I wanted to reach Joseph to tell him to let it go. But he bought that dress for £23,250."

"I asked him, 'Joseph, why didn't you stop?' But he was so caught up in the thrill of the bidding, he said he would have gone on until £1m. So naturally, each time there is a sale in England, I say, 'Joseph, do you still love me...?'

Alaia also owns an important Charles James gown, auction price \$49,500, though he will not reveal who bought it for him. "If my friends need something, I try to provide it. If I want something and I can't pay for it, I think my friends should buy it for me. So now you are my friend, do please join me for lunch one day and give me your phone number."

Others upon whose generosity he has called include supermodels Stephanie Seymour and Naomi Campbell. "With Stephanie [who has earned her own fortune and also married money] I'll say, 'If it gets expensive, I'll pay', and she says, 'No, no, Papa. I want to buy it for you.' But I don't say that to Naomi. I don't say, 'Do you love me?' either, just 'Naomi, you are going to buy me...'"

Alaia learned many of his skills from turning Vionnet

dressess inside out. Today there is much to be learned from the study of Alaia's works, although any Gedling designer who plans to learn at the master's right hand should be warned.

"What I do is between machine and the hand. Sometimes things are better by machine. This is industrial – I'd do maybe 500 of a sequin dress [instead of the maximum of six as haute couture rules decree]."

As for when the next creations in a long career will be revealed, we will have to wait. Alaia says it will be when he is ready.

In the meantime, the current collection, which is neither for winter nor summer, but simply desirable if you can fit into it, arrived in London a few weeks ago. As usual it is selling swiftly. Those in search of sexy siren sheath of cling-and-bond knitting topped with hand-stitched sequins, or an embroidered leather jacket that is cut with a compass should put a skip in their step.

There is a shop on the Marais premises as well as a

select made-to-order busi-

ness that Alaia resists labelling "couture".

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## HOW TO SPEND IT

## Keep your head at the bargain bin

Susan Irvine urges caution at the sales, an event which can transform perfectly normal women into vicious, wild animals

Like being invited to dinner, just as you return from a six-course lunch, sales pop up when you are suffering from shopping indigestion. But like that free dinner, they seem too good to miss. Cashmere: slashed? Crockery: smashed? Dolce & Gabbana: but pay only for Dolce? We're out there only a few days after the Christmas mêlée, dragging our shopped-out psyches kicking and screaming back into the stores.

Every year, women up and down the country resolve "not this year". Every year, they recant and hurl themselves into the battlefield that is the Harrods china department, beating off lethal grannies wielding umbrellas and shopping bags full of bricks.

Mark Matysik, concierge and personal shopping adviser, has sworn off sales for ever after swearing that "perfectly well-brought up English women turn into vicious, instinctive wild animals at sales time; they're like the Maenads looking for stags to eviscerate". He adds: "little old English ladies seem to strap stilettos on to their elbows specially for the sales."

It is true that even Kate Moss cannot have elbows as sharp as some of the objects that get inserted between your ribs as you are stretching for the Wedgwood cup at this time of year.

The thing is, we are a nation of bargain hunters," says Rita Brittain, owner of one of Britain's best designer stores, Pollyanna in Baysley. "Sales don't seem to have the same effect in France or Italy."

Other countries do, however, hold brilliant sales. In New York prices are slashed by up to 75 per cent, and women approach the event with military precision, set-

ting up sales "map-rooms" in the kitchen with little pins stuck into Bloomingdales and Barneys, opening times (0900 hours) and routes plotted in red.

At least, they do not queue up the night before with a thermos full of Tetley's and a camp-bed. Shopper's shame to want that fridge-freezer enough to sleep on the streets for it. I have certainly never known any of my friends admit to it, however desperate they are for that Ralph Lauren velvet coat.

Strange that the nation which invented the notion of embarrassment is not covered in shame at chaining ourselves to the portals of Harrods in the cause of cut-price consumer goods. Given that we are not, perhaps we will soon adopt another American sales custom, which has the advantage of being very practical.

"When I worked in America," recalls Deborah Shaw, Harvey Nichols' personal shopping guru, "women would come into the stores at sales time wearing huge coats. When they reached the rack that interested them, they dropped the coats. All they were wearing underneath were exercise leotards."

Imagine the average British woman rifling through the rails in nothing but Damart and Reeboks. But, if you have the chutzpah, it is a great tip. You do not have to queue for fitting rooms, and you do not get exhausted constantly divesting and restowing yourself of layers of clothing. You can just drop and shop in a nano-second.

Not that Deborah Shaw is advising this as a sales strategy. Her advice is the opposite of what you usually hear: "The sales are a fantastic time to buy something

outrageous you wouldn't consider at its normal price."

Her tip for the Harvey Nichols sale is the Ann Demeulemeester asymmetrical dresses, one-shouldered, chopped about, and maybe slashed across the chest. "Imagine if your husband is used to you in your basic black and pearls and you turn up in one of these: fabulous." Fabulous it may be with someone like Shaw to guide you at this time when the expression "shopping trip" takes on distinctly psychadelic overtones. Not so great for those, like the mother of a friend, who ven-

moment "and by the time of the sales, that moment is history".

Helen Simpson, one of Britain's best-dressed fiction writers, advises: "Buy good quality classics that won't date". She is particularly pleased with her Aquascutum mac, about £200 normally, and only about £200 in a sale.

If you have the nerve, the way to approach the sales is like a game of blackjack. Face yourself. Know when to pass on that pair of Gucci shoes, that Prada handbag. As you sweat it out, the prices fall further. If you can bear the tension, and keep putting the item to the back of the shelf every time you go in to the store, it may eventually reach 80 per cent off. In true hunter-gatherer tradition, you can then drag home a trophy, the Gucci shoes that cost little more than the Marks and Spencer slippers.

It is this notion of beating the shopkeepers at their own game that gives the satisfaction of a sales purchase. For once you can go shopping and are not ripped off by 100 per cent mark ups. The risk though is that you rip yourself off by succumbing to the "mad till" disease that turns brains to crimplene at this time of year.

Women particularly have a terrible habit during sales of buying clothes in the wrong size "because they're just too good to miss". And because, "I'll diet into them". A friend who helped in a London store's alterations department remembers a girl coming in with a sales jacket and having every seam taken in, at about £20 a seam. It ended up costing just as much as the non-sale version in the right size.

It is those unwearable items, secreted into the backrooms of shops that are dragged out at sales time to hoodwink the gullible. Matysik's advice is not to buy those bizarre jeu d'esprit items. These define a fashion

toured into a Glasgow store with her charge card and emerged with a full-length designer gown featuring a parrot down the front - in feathers.

Why oh why do we lose our heads at sales time? Why when we see two or three women snatching pink crocheted hotpants from the bargain bin do we feel that pack instinct take over and snatch a pair for ourselves? "Only £10!" we cry. Yes, but completely unwearable.

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Get the jacket to fit the woman, not the other way round.

## Ten ways to help prevent shopping frenzy

1. "Never buy anything in the sale that you wouldn't also buy if it was full price [and you could afford it]." Strong words from Rita Brittain, owner of designer emporium Pollyanna.

2. "Hire a car for the day with a uniformed chauffeur to ferry you fluster-free from store to store."

This the advice of a friend who, Mrs Beste-Chetwynd-style, does just that; emerging Mancini-shot and follow me-caféed with the added bonus of salivating sales staff.

3. Go in the week before and seek out the thing

you most badly want in the sale. Then, on the day, head for this and this alone.

4. Then go straight home before uncontrollable retail feeding frenzy sets in.

5. On no account don a shell-suit and camp out at 4am with sleeping bag and thermos to be first in the queue. When you are spotted thus clothed on News at Ten, your fashion credibility will be in tatters.

6. Beware batches of tat made up specially for the sales or old designs wheeled out again. Lots of shops do this, even highly

respectable ones.

7. Be alert to any sudden weakening of your normal resistance to lime green leather or gypsy tassels. If you are flipping into a shopping trance, sober up by exiting to the nearest double espresso.

8. "Don't buy a designer's crazy statement," advises Josephine Turner of A La Mode. "In a sale, go for something in superb quality with style that will last for years." And go to the expensive stores: £30 off a cheap jumper is not much of a bargain, but £200 off a £400 cashmere style is.

9. Bypass the lot for a

visit to Bloster Discount Shopping Village (off Junction 9 on the M40 between London and Birmingham). Key purchases: amazingly cheap Joan & David shoes and Christian Lacroix everything. "They've no idea what they're selling" are the awe-struck words of the best shopper I know.

10. Avoid the Harrods scrum by placing an advance order on "big ticket" items like furniture and electrical goods at sale prices on certain dates. Account customers get an extra 10 per cent off.

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## TRAVEL

# Living for today in timeless Rome

Nigel Andrews marvels at the city of broken centuries and unbreakable myths

**O**ne great truth is learned from world travel - everyone is blasé about his own habitat. Tell a Roman how beautiful Rome is and he gives you a glazed, long-suffering smile. You may be sitting in a penthouse flat surrounded by views of the Forum, the Colosseum and St Peter's and still your enthusiasm will have no effect on your host.

"Si, si," he will mutter patiently as he tops up your Prosecco. "And how is your London and your Chon Maycher [John Major]?"

It is 10 years since my last visit to Rome and the city is unchanged beyond recognition. It is hard to believe in a place that keeps its aesthetic virginity so intact; the Doris Day of world capitals. Since my sunshiny hours involved driving around in taxis meeting people for an article on Italian cinema, I spent my nights roaming by cab or on foot, gawping at Rome's non-stop son et lumiere display.

The *lumiere* is the flood-lighting that leaves no building without the star treatment. The sun - which also seems beautiful after a day or two - is the honking of traffic, rhythmic thumping of tyres over cobbled streets,

throaty shriek of Vespas and babbling to all hours of voices in streets and cafés.

Rome must have learned this habit of sleeplessness from the famous occasion when, nodding off during a national emergency, it was woken by the squawking of geese. The site of this incident was near my hotel. In a spare moment of daylight I visited the Forum and next door Capitoline Hill, and learned two things about culture management whilst in Rome.

Either go without a guide book and spend an hour heedlessly imbibing the atmosphere - sun-rinsed pillars, beautiful amputated statues, marble friezes telling impenetrable stories. Or go with a guidebook and spend a day.

I found the perfect compromise: half a guidebook and two hours. Several pages of my well-thumbed ancestral Baedeker being completely missing, I had to take on trust the historical fascination of Caesar's Rostra (speech platform) and the Curia (large stone barn). On the other hand, I could serve you a fine running lecture on the Temple of the Vestal Virgins, assuming you could back your way to it through the crowds.

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It is possible to enjoy an empty, magical Forum in your own time. I discovered this almost by accident on an early morning walk. At 8am, climb the steps to Michelangelo's Piazza Del Campidoglio - backed by the diffused rays of a Roman sunrise - and walk down the right side of the Capitoline Museum. Lining the Via del Campidoglio at the museum's rear is a balustrade overlooking the whole Forum. Not a soul is in sight, save the odd worker tinkering with some scaffolding. You can people the entire place with the togas of your imagination.

In a few precious daylight hours, I also put my hand in the lie-decaying Bocca Della Verità (where Gregory Peck famously hoaxed Audrey Hepburn in *Roman Holiday*), scouted the Colosseum and stormed through St Peter's.

But there is no need to stay with the obvious. If you are based at the charming Domus Avantina Hotel, whose rooms overlook the courtyard of an old church, you can always walk in the other direction.

Monte Aventino is a leafy backwater where embassies lurk amid magenta clouds of bougainvillies, and pomgranate trees overhanging sun-

lit pavements. If you walk north for 10 minutes you are in the Forum. Walk south, though, and you enter the twilight zone known as Testaccio.

This is where the smartest restaurant (three rosettes in Michelin) sits in a cul-de-sac opposite an abandoned abbey. Checchino Del 1887 is tucked into the side of a mountain formed entirely, and eye-bogglingly, of broken vases. This area used to be on the coast and whenever careless dockers smashed a crate of amphoras, circa AD200, they dumped the jars on the same spot. Hence "Monte Testaccio," a hill now crowned like any slaghill with trees and bushes, which grow out of an estimated 500 items of broken terracotta.

I did not eat at Checchino's since my hotelier, warn-

ing of tourist traps, said I could get the same food cheaper at nearby Perilli's.

Perilli used to eat at this

fast, noisy refectory abounding with good cheer and not-so-good murals. Like all local trattorie, it boasts authentic Roman cuisine: which means oral, trips, hooves, heart and anything from the more personal parts of an animal. As a cow-conscious English person I

ate lamb stew (delicious), preceded by a richly oiled

zucchini with wild mush-

rooms.

It was during this meal,

with the greater wisdom brought on by a bottle of Chianti, that I felt I understood what this city is all about. In that great Italian film *Fellini's Roma* came star Gore Vidal, playing himself, called it "the perfect city from which to view the ending of the world."

In Rome no one seems to care about the future

because they sit on this

time-mountain formed of

broken centuries and

unbreakable myths. If they

set traditional dishes whose ingredients other countries would hesitate to give their pets, it shows that they put sensible hedonism above irrational squeamishness. And if they stay up all night - since in an Italian city who can sleep with the sound of cars and scooters?

It shows that they care not

about tomorrow, only about

existing today into an hon-

orable eternity.

On my own last day I dis-

covered a dream hidden

behind an abbey garden

wall. I cannot remember the

street's name nor the

abbey's. But you will find it

by walking south-west of the

Domus Avantina for 50 minutes. Approaching the wall, you will see the far-distant dome of St Peter's, framed in the entrance arch's perfect centre. It shimmers in the blue sky, luminous and seemingly weightless, above the viewing balcony's far end.

This was the most magical and beautiful thing I saw in Rome. And it was quite, so far as I know, unknown. At least until I revisited my Roman friend. "Ah, yes, you saw that, did you?" he said with affable indifference, before banishing *la coda* of *Roma* with another glass of sparkling Prosecco.

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South Africa

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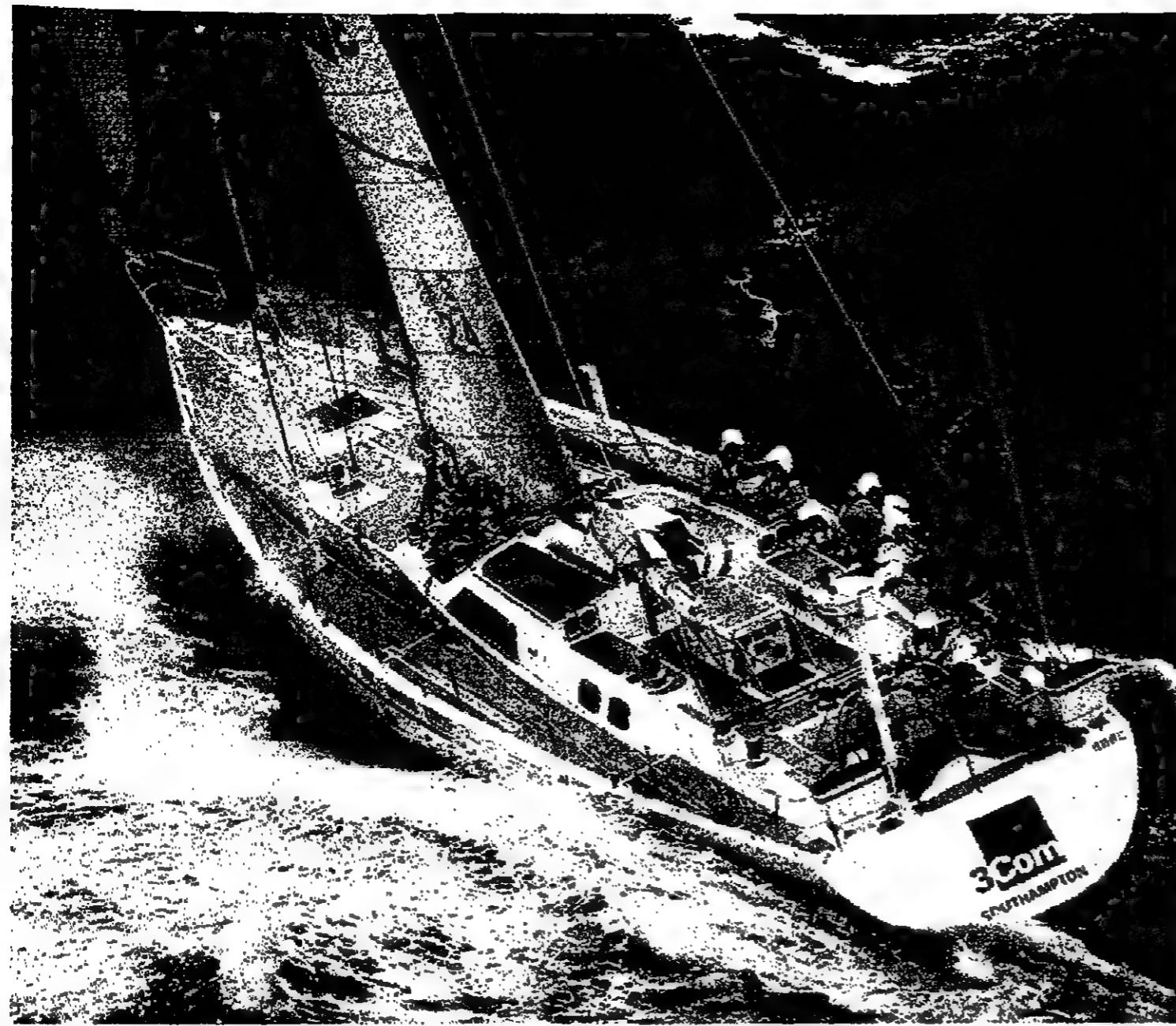
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## OUTDOORS



Racing on a sail and a prayer: SCom's crisis meant plans for an extended leg were dropped

## Humanity has its moment in an unforgiving ocean

Richard Donkin reports on a moving rescue mission in the southern ocean

**R**ichard Donkin is competing in the Rio to Wellington leg of the BT Global Challenge round-the-world race.

**T**he co-ordinates 55 degrees, 40 minutes south, 112 degrees, two minutes west mark the exact spot in this empty quarter of the globe where our yacht, SCom, very nearly came to grief.

Hard sailing in a 40-tonne boat through pummelling winds and seas puts enormous strains on equipment. Sometimes something gives. As the crew struggled to retrieve a broken cable and a forestay hanging over the side, David Tomkinson the skipper confessed: "There are two things in ocean racing that put your heart in your mouth - a man overboard and the loss of some rig."

The race headquarters warned other boats to check all rigging and dropped its plans to extend the Rio to Wellington leg that would have deliberately delayed the arrival of the fleet in New Zealand to ensure that reception plans went smoothly.

Increasing hardships mean the battered fleet taking part in the BT Global Challenge is closing on its Wellington destination with a huge sense of relief today, after the southern ocean lived up to its fearsome reputation on this gruelling 7,000-mile leg of the round-the-world yacht race.

**G**ardeners have endured another remarkable year, leaving them to wonder whether any season will ever conform to text books again. In May, everything seemed severely retarded in nature's refrigerator. During the third week in July, I surveyed brown fields and wilting trees by the River Severn after a visit to the Bristol Botanic Garden where the most well-adjusted plants were the cacti and agaves. Once again, it all swung round to a familiar finale. Autumn is becoming the memorable season for secondary visiting, but autumn 1996 took an unexpected turn.

What lessons have we learned? I think some form of systematic irrigation is now an essential investment for gardeners in southern England. It is not necessary to water lawns and go to the expense of a full pop-up installation. Micro-sprinklers in flower beds are a different matter and anyone who wishes to experiment on the new botanical frontiers is recommended to invest in some such system before risking another dry summer.

Micro-sprinklers can be bought for little more than £1 each and the basic 16mm black hose need not cost more than 30p a metre. Automatic controls make a seri-

ous difference, especially for weekend gardeners, and here there is no point in economising. Many suppliers will also assist in plans for a self-installed arrangement, containing the cost whenever sensible.

The oddity this spring was not the shortage of water, but the shortage of warmth. We all enjoyed the most extraordinary spectacle. The clouds of blossom on cherry trees and magnolias opened rather late and were then held as if in the cooler for several weeks while the early daffodils crept along to join them. The later narcissi lingered on until the end of May and anyone with naturalised bulbs beside a formal garden was longing to cut them down in early June. But the recommended interval of six weeks after the flowers have faded meant that untidy narcissi were hanging around in early July.

In these chilled conditions, I extended my acquaintance with many types of flowering cherry which otherwise drop before I have noticed them. The white-flowered upright *Umeniko* remains my favourite wherever height is more important than width. Pale pink *Accolade*, white *Korean Hill* and the large, spreading white *Yedoensis* were outstanding bets in this favourable season.

Towards the end of spring, one of the sights of the year were the lilacs. I cannot remember such a prolific season and I continue to bless the day I moved my standard trees of blue and purple-striped lilacs into a pair of small borders where they give early colour and then become a framework for semi-climbing roses and late-flowering clematis. Older wisdom claimed that lilacs were bad neighbours in a border and no doubt, suckering, hungry bushes are a menace. Standard lilacs, however, are another matter and I will treasure the memory of my standard lilac *Sensation* against a backdrop of early flowering honeysuckles and some pale yellow tulips which have lost their way in the calendar.

Another type of honeysuckle has shot to the top of my shopping list, which I first sighted in May. *Lonicera Tatarica* is a tough, under-rated shrub with reddish flowers, but there is a spectacular white-flowered form with slightly paler leaves which is exactly right as a filling for



## Curious twists along the path

Robin Lane Fox on the lessons of a year which swung from a harsh May to a glorious November

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that hiatus between the spring bedding and mid-June. It is not common. But several nurseries list it and it is said to be as tough as its relatives.

But mid-July, the summer was threatening to descend on us all again. Roses had been wonderfully unsupplied by rain, but I began to find their masses of flower overpowering in the clear, hard light of a dry month. Crisis threatened, but early August relented and I enjoyed 10 days' matchless gardening. This year, the widening range of crocosmias showed their quality, preferring frequent watering, while enjoying a sunny season. The shapes and colours of flower now vary far beyond the old *montbretias* and I recommend buying any unusual named variety next spring so that one or two plants at intervals will illuminate the difficulties of August.

They combined with my star success of the year - a brilliant red-discovery

The last surprise has been the autumn. Early October was so dry that the leaves on too many trees turned brown and began to fall too early. I have never had worse value from a walnut, as the cold May delayed its leaves until June and the dry autumn removed them by mid-October.

Instead, we were rewarded with the best November in my gardening memory. Many days were clear or beautifully changeable. Berries on all types of *Sorbus*, and especially the taller red types of *Cotoneaster*, have been stunning, while the ornamental *Malus* have never been better, justifying those who put them first for flowers, leaf, toughness and fruit in dry, alkaline gardens. Blackbirds and even the flocks of starlings have done their worst, but there are still a few bright fruits left after Christmas.

We deceive ourselves by following books on our gardens week-by-week, or by easy generalisations about times and temperatures. Gardening remains supremely unsuited to three-year plans, laid down by managers and run by computers. Each year calls for improvisation and individuality. We may curse the curious seasons, but they are the challenge which makes us all keen to gaze into another year.

## Small cars nip to the fore

Stuart Marshall takes a backward look at the year

**W**hich cars stand out in a backward glance at the past year of motoring? In general, they have become so good that realistic comparisons are difficult.

If you decide what kind of car you want - saloon, hatchback, estate, on-off roader or soft top - and how much you want to spend, then it is really a question of finding one you like the look of and negotiating the best deal.

It can be said with reasonable confidence that whatever you buy is likely to serve you well, providing you look after it.

Small cars in particular have reached a stage where they are the equal of large ones in everything but size and price.

Power-assisted steering,

which improves any car, however small, is routinely fitted as standard. (I would not have a car without it.) Air conditioning, CD players, automatic transmission and anti-lock brakes are not yet part of the normal small car package, but all are available widely as optional extras. Only cruise control has still to percolate down from executive class cars. With such crowded roads, however, I am not sure that being able to pre-set a cruising speed is so important. Unless, of course, you want to be certain you are not going to exceed the speed limit.

We look forward to the new year with the same mixed feelings that greeted Christmas. "It's hard to get excited about the new year, because in a way my year started in September when we began this race and will end when we finish in July," said Phillippe Faile, a photographer and SCom crew member.

On-board entertainment is limited but the solitude has led to a flowering of interest in poetry. Popular recitals include Rudyard Kipling's "If" and W.H. Davies's poem "Leisure", which begins "What is this life if, full of care, we have no time to stand and stare?"

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rapher and SCom crew member.

The hours grind by slowly as if someone has applied a brake-handle to the cogs of time. The passing of a year seems meaningless when time itself has become intangible. We want to feel land under our feet again.

Christmas at sea strengthened the feeling of isolation, the physical and emotional distance from our families. It was a time for introspection, to scan the featureless sea in a search that borders on the spiritual. The enormity of the ocean challenges the most committed non-believer.

The rigours of the past few weeks have sapped our will for celebration. We dared to enter the weather's lair and it did not treat us kindly.

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# UK capital is the best place to buy

Despite rising prices, London is good value, says Anne Spackman

**L**ondon is a cheap place to buy property. That may seem an absurd assertion with the capital in the throes of a mini-boom and prices rising by up to 20 per cent during the year, but in comparison to the other leading financial cities of the world, London still looks good value.

This year London has been hit by a wall of overseas money. Both Savills and D Groot Collis say UK purchasers have shrunk from 75 per cent to about 45 per cent of the market. At Knight Frank, UK purchasers accounted for just 38 per cent of London buyers this year, compared with 52 per cent in 1995.

The sales of new blocks of flats to south-east Asian investors accounts for part of the sharp year-on-year increase in overseas purchasers. But it also reflects heavy demand for homes in central London from wealthy individuals. They may be moving to London to work; they may have a European headquarters here or they may be British expatriates - all want a base in what they see as a safe and thriving city.

The combination of competition from these buyers and increasing confidence among domestic purchasers, has seen record prices being achieved for the most popular flats and houses in the smartest parts of town. Wetherspoons, the Mayfair agents, sold a £2m penthouse on Park Lane, a £2m house in Park Street and a £2m house in Eaton Square in a

single week in November.

According to Robin Patterson, Hamptons' group managing director, the biggest dampener on the central London market in 1997

would be a further strengthening of the pound.

The key to London's buoyancy is the City. This year it is set to create several hundred new bonus millionaires, some of whom have already registered with estate agents. Knight Frank's graph of prime London purchasers reflects the impact of these young bankers, with a large rise in the number of 30- to 40-year-olds buying property in the £1m-£2m bracket.

All this comes at a time when good houses and flats in prime locations are in short supply. Jonathan Harvey of Friend and Falcke says there are at present about 220 houses for sale in prime central London areas, compared with a norm of 600.

So does this mean another year of strong price increases? Not necessarily, according to most commentators. The majority are going for a cautious 8-10 per cent, citing the general election, possible falls in the stock market and rising interest rates as potential depressants. Many estate agents expect a flurry of new property on the market in the new year.

One of the most cautious predictions comes from Yolande Barnes, Savills' researcher, who has pencilled in a 7.4 per cent price rise for prime central London, compared with 12 per

cent for the mainstream British market.

Simon Agate, chairman of the Winkworth group, which has 20 offices across London, is also predicting a slowdown in areas like Kensington and Notting Hill, saying buyers will not continue to chase prices up. Instead he believes secondary locations from Islington to Highgate in north London and around Battersea, Wandsworth and Clapham in south London will see the strongest rises of up to 15 per cent.

In the city's emerging residential locations, where new developments predominate, there is also a mood of caution.

Prices in the City and midtown areas between the City and the West End have risen by an average of 16 per cent this year, almost entirely on the back of south-east Asian purchasers. Hurford Salvi Carr, based in Clerkenwell, expects rises to halve, as 1,500 new homes come on to the market in 1997 in addition to the first wave of second-hand stock.

A few commentators are more bullish. Rob Thomas of the Swiss bank UBS thinks



81 Addison Rd in Holland Park is selling for £25m on a 99-year lease from Chesterfield

cent for the mainstream British market.

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## PROPERTY

# An ideal market for country vendors

1997 looks as promising, says Gerald Cadogan

**T**his year has been a bumper year in the UK country property market but not quite a boom. Sales are up - Fulford in Devon reports a 31.4 per cent rise and Knight Frank a 35 per cent increase nationally. Price rises have been strong in the south-east, fuelled by City salaries and bonuses. But the north has been slower, except for "close to commercial centres like Sheffield", says Paul Spencer of Stacks Relocation in Derbyshire.

The good cheer is expected to carry on into 1997, although it could turn dull in March as the election looms closer. Once that is resolved, I expect the market to pick up again in the second half of the year.

The flood of money from the City, expatriates leaving Hong Kong and Londoners selling their town abodes to buy more space in the country, have created a cash market of buyers who do not figure in the mortgage-based Halifax and Nationwide indices and are little affected by rising interest rates. They want tangible assets that may rise in value, without making taxable income for the chancellor.

In Kent, agent Calcutt Maclean reports that its buyers have a total £74m ready for property. Multiply this by all the other agents' lists and, even after deducting buyers who appear twice, there is no escaping the wall of money. And while buyers wait for the right place they often rent in what has become a lively, flexible country rentals market. This huge cash basis creates a two-tier market in which the better properties rise fast as buyers with money in their pockets compete for them. For a manageable family house with five or six bedrooms, and some outbuildings and land - a manor

house, large farmhouse or old rectory - costing £200,000-£500,000 18 months ago, the price is now likely to be in the region of £400,000-£800,000 (such as the Old Rectory at Codford St Peter in Wiltshire, available through Savills for £500,000).

Conditions are ideal for vendors and good properties are still coming to market. A week before Christmas, Strutt & Parker launched Otley Hall in Suffolk, a superb Grade I manor house that is 500 years old. With great hall and parlour, and moat and water garden, the agent is asking for offers above £750,000.

Vendors must agree the right guide price and not be too greedy. Buyers remain cautious and houses now have to suit their precise requirements.

Barns (converted or with planning permission for conversion) have again become popular as an alternative to costly farmhouses and manors.

How much property will come to market in 1997 is difficult to forecast, since vendors, too, are cautious and may delay selling until after the election. Those selling in the first quarter can expect good prices from City buyers, benefiting from bonuses. The positive trend should continue once the election has passed.



The Old Rectory in Wiltshire is offered by Savills for £500,000

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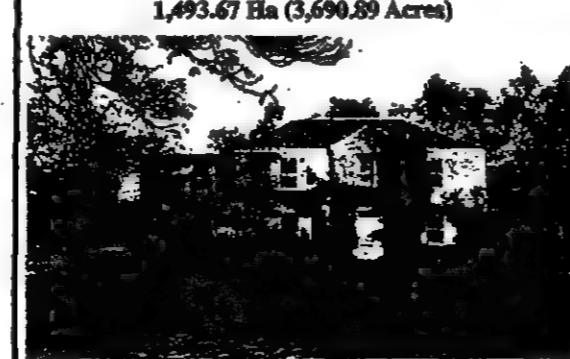
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## FOOD AND DRINK

If Linkwood Distillery looks spruce and fine then the credit is due to Hilary Lamont, who has been the gardener there for donkey's years.

Architecturally it is a jumble: it is easy to identify the hand-some old maltings with the pagoda roof of what was formerly the malt kiln. These have been turned into warehouses now that the malting is done elsewhere. The rest of the collection is not so easy to decipher, until you learn that there are in fact "two" distilleries at Linkwood: the new and the old.

Lamont has had the job of re-pagoda the distillery buildings in a tasteful floral border. On higher ground close to the old maltings is a dam full of trout and perch. They were hiding when I visited, but other writers generally report the presence of a brace of swans which

figure on the label of the United Distillers' 12-year-old.

The old one was kept going until 1932 or 1933, when Linkwood was going at full pelt. Possibly the need for quantity was dictated by United Distillers who needed a lot of Linkwood for their "improved formula" Bell's eight-year-old. It ran in tandem with the new distillery, which was finished in 1971, at the end of the great Scotch boom. The owners were careful to reproduce the exact specifications of the old stills, but they doubled

the number from two to four.

The respect for nature at Linkwood may have something to do with Koderick Mackenzie, who was manager there for nearly 20 years after the war. He was so obsessed with the subtle flavour of Linkwood that he allegedly forbade the removal of spiders' webs lest that interfere with the nature of the malt.

It is perhaps significant that he left in 1963, the year of the first big refit. By 1971, the place had been transformed.

When you visit a distillery you

often gain an insight into the flavour of a malt from the smell of the "wort", the unfermented malt broth which is the raw material of whisky. At Linkwood it is fresh rather than sweet, not concentrated and honeyed like many of the best Speysides.

It comes off the stills at 67.5 per cent, notably low for whisky, which should ensure the retention of more of the original flavour. Another important factor is traditional warehousing. Over in the old maltings the casks are racked, but warehouse number

three is still on earth floors. Most of the casks in the warehouse were old sherry butts, but the manager told me he thought the total "sherry" count was not more than 25 per cent.

Opinions are mixed about Linkwood. For the older generation of whisky buffs it was always one of the best, but it does not always stay in the distillery's own bottlings. I had the chance to examine the spirit with Lamont who, besides her duties in the gardens, has become the unofficial nose of the

distillery. She says she can tell when the office changes the raw materials: "You're using a different barley today," she tells them. Some of the casks, she says, give off a distinct barley character.

As a gardener she is precise about fruits and flowers: the "new-make" smelled of fresh pears, which it often does, but Hilary corrected me: "Conference, not Williams."

After that the sherry taste came into play. Linkwood fans feel that the sherry taste is a vital component

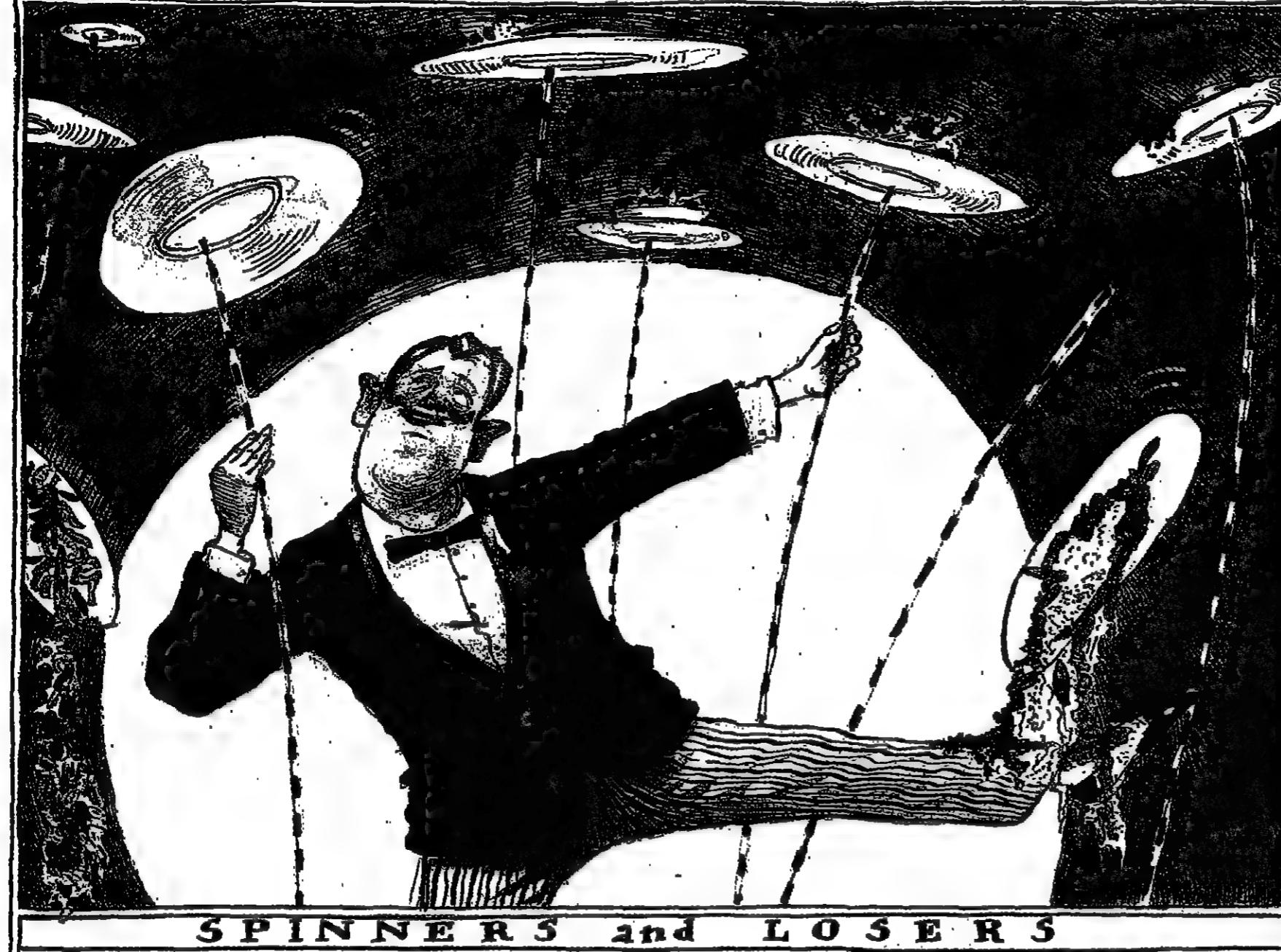
and reprobate United Distillers for being a bit mean with old sherry butts. At first I was put off by a slight hardness, like hard water, on the finish. This tough character is present on the distillery's standard 12-year-old bottling, but on the whole the malt is better integrated at that age. I tried United Distillers' other bottling when I got home: the 22-year-old cask strength "Rare Malt". Here the sherry flavour was mostly absent, and there was a pleasant heathiness about it, although I dare say Lamont would have demanded greater precision: "What sort of heather?" And "At what time of the year?"

■ *Linkwood 12-year-old (Flora and Fauna) is available from Morris (0171-437 0898) at £28.95. They also have the legendary Linkwoods: 1939, 1946, 1954, 1961 and 1962.*

## Whisky

## A repackaged Scottish distillery

Giles MacDonogh on the mixed opinions which Linkwood maltings provokes



Cookery / Philippa Davenport

## Vegetable that needs more love

## BORSCH WITH DUCK

(serves 4)

In its native Ukraine and elsewhere there are endless versions of this soup. Mine is almost a stew, a first and main course rolled into one, easiest to eat from large old-fashioned soup plates with spoons. Most recipes include beef, others use duck, as I do. Cabbage is nearly always used; I rate very small kholodki a more delicate choice.

Quantities of everything can be doubled for a party. Indeed making borsch is often an excuse for giving a party in Ukraine. Serve borsch with dumplings and a bowl of soured cream, or hand round a plate of crispy baked puff pastry shapes topped with cream cheese generously spiced with caraway.

500g boneless duck breast; 8-10 small beetroots (weighing 500g or more after trimming and scrubbing); 2 small and tender young kholodki (to yield 200g when peeled, sliced and cut into sticks); 150g peeled and thinly sliced parsnip; 100g peeled and coarsely grated celeriac; 1 small onion,



## Menu hits and flops of '96

Nicholas Lander on some of the triumphs and disasters of the restaurant trade

The year 1996 will go down in restaurant history as an *annus mirabilis*. More openings, more customers, definitely far more use of the word "eclectic" to describe a chef's culinary style and probably bigger profits.

Fortunately, however, chefs are still not certain of which dishes will sell as quickly as they can be prepared or those which will go unappreciated regardless of their description. Here are some of the year's culinary hits and flops.

## New York

According to Danny Meyer, proprietor of the Union Square Café (0212-243 4020) 1996's biggest hit was a spicy fried shrimp "no boy" sandwich. "It's New Orleans-inspired, homemade, soft, sesame-seeded brioche roll, toasted, and then slathered with a spicy pepper and shrimp remoulade. It's filled with layers of thinly sliced tomatoes, chopped lettuce and a generous handful of shrimp fried in flour and cayenne. On the side are a stack of "shoe-string potatoes" and a crispy salad of watercress, beets, red onions with a pecan-dijon vinaigrette. We sell out every day for lunch."

"We should never have tried to

upgrade that New York deli classic - braised brisket of beef. We served it with horseradish mashed potatoes and spiced Greenmarket apple sauce but no one would bite. Or rather, no one could bite.

"Notwithstanding the estimable formal culinary training of our cooks, we were consistently unable to prepare fork tender brisket.

Three out of 10 orders were returned to the kitchen as 'too tough' and after two weeks, before we did irreparable damage to our reputation, we quickly removed brisket from our menu - leaving it to the delicatessens where it belongs."

**London**

John Torode, The Chef, Mezzanine, W1 (0171-314 4000): "I always assumed that regardless of what you put with prawns it will always sell. Of course, I have been proved wrong. One of my most memorable dishes was a Japanese prawn custard with mirin and soy. In the first week we sold two, by the third week sales dropped to one. We changed descriptions but that did not work so bye-bye prawns.

"Mezzanine's greatest success has been pineapple curry with sweet pork and crab. I just did not think customers would be so

adventurous but it seems to be a dish with all the right combinations - curry, pineapple, crab and deep fried pork. All the regulars come back for it again and again.

"And thanks to a critic you made we have introduced fresh mint, fresh lemongrass, green Japanese and jasmine teas and the response has been startling."

Adam Robinson, chef/proprietor, The Brackenbury, London W8, (0181-745 0107): "Our hit of the year was undoubtedly when mayonnaise, a sunbaked whish dish to make use of a much maligned mol-

"During the spring we found a great source of live whelks but nobody would eat them in their shells even when we gave them away as an *amuse-gueule*. So we decided to disgorge them into salt water overnight then boil them for 10 minutes the following morning. We then remove their shells, feet and intestines, chop them finely and mix them into a caper and herb mayonnaise. Delicious.

"The generic flop of the year has to be consommé. We have made them with herbs, with dumplings, with wild mushroom ravioli, with herb and truffle and finally with crab and herb mayonnaise. Delicious.

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seller - a glass of amontillado sherry - and we may just sell the odd bowl or two."

"The calamity of the year was something else again. We had managed to obtain some fresh pig's blood, a rare commodity, and a chef was filling the sausage casing to make black pudding mix. It took longer than anticipated and service started promptly at 7pm. The first orders, however, were accompanied by a dropped sausage casing and an explosion of blood and fat all over the kitchen and the chef's

fritters - was also one of the simplest. The beetroots are served whole if small or quartered, if large. Double cream is brought to the boil and the grain mustard whisked in; the beetroots are then added to warm through gently. Grated parmesan is added to choux paste and the fritters are cooked in the fryer. The beetroots are served with some of the sauce which now resembles the colour of a deep pink rose and the fritters are placed on top of the

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## SPORT

# Magic moments, memories of '96

Gooch at his most sublime, Sampras at his gutsiest, Johnson at his most awesome. Sports fans have had value for money this year

**W**e asked our regular FT sports writers to name their sporting moment of the year. Their choices ranged from the predictable - Peter Aspden on Michael Johnson's performance in the Olympic Games would have topped many a list - to the quirky - Huw Richards' very personal choice of rugby star Arwel Thomas's magic moment in the Five Nations championship. But all left an indelible mark on the memory.

## Olympic Games Peter Aspden

The Olympic men's 200m final was always going to threaten the world record. Its two favourites, Michael Johnson and Frankie Fredericks, were in resplendent form, Johnson stepping down in distance from his "best" event, the 400m, which he had won at a canter, Fredericks determined to make up for "only" winning silver in the 100m. And then there was that fast Atlanta track...

Johnson would say afterwards that he stumbled at the start. It was imperceptible. Both men were superb off the blocks. Coming into the bend, there was little to choose between them, the only certainty was that it was fast. Then, incredibly for a field of such quality, Johnson appeared to find another gear. Fredericks, running fast and true, must have received the shock of his life, seeing a blur on his left pulling away from him. The way he kept his concentration - he would finish just 0.02 seconds outside the old world record - was almost as impressive as the feet unravelling in front of him.

Johnson, short legs pumping with immaculate rhythm, destroyed the field in the last third of the race. The vulgar gold shoes crossed the line in an outrageous time - 19.32 seconds, beating the world record by more than three-tenths of a second. As in all improbable sporting moments, an unreal hush followed the roar of acclaim. Johnson looked as shocked as anyone. "My dad once bought me a go-cart when I was a kid and I used to go downhill on it," he said afterwards, "that feeling is the only thing I can compare it to." The rest - Fredericks included - might as well have been climbing a mountain.

## Tennis John Barrett

On a sultry, sweaty night at Flushing Meadows, defending champion Pete Sampras is near the point of collapse. He is playing Alex Corretja, an unseeded Spaniard, aged 22 and ranked 31 in the world.

Trailing unexpectedly by two sets to one, Sampras has fought back to take the fourth set 6-4. After more than four hours his reserves of energy are low. Fatigue and nausea are draining the energy from his legs. Corretja, fitter and faster, bounces up and down, sensing his moment of triumph.

In the tie-break that will end the match, the Spaniard, racing to his right, misses a forehand pass at 5-6. Match point to Sampras. But a forehand error makes it 6-6. Now a good serve brings match point to Corretja who waits while Sampras, clutching his stomach, shuffles towards the back fence, leans on his racket and vomits.

The umpire issues a time delay warning. Roars of protest from 19,000 throats. A lunging Sampras volley makes it 7-7. Barely able to stand, the American gathers himself for a second serve. A gasp as he smites an unexpected ace. Match point again. Another delay as Corretja, visibly edgy, prepares to serve. Sampras totters into position.

The double fault that follows is one of the cruellest moments I have ever seen on a tennis court. Corretja staggers forward and crouches in an agony of disappointment. Sampras raises tired arms and shuffles towards the net where he meets his opponent in an embrace of mutual understanding.

Sampras has survived to his fifth US Open semi-final. Corretja has played the match of his life. "It was the best match of my career, and the worst one," said the loser. Sampras, who needed an intravenous drip to rehydrate after his ordeal, had proved he was a survivor. "I do care, I do have heart, I hate to lose," he said.

## Motor racing John Griffiths

There was not a dry eye in the house when Damon Hill took the chequered flag at Suzuka to win the 1996 Formula One world motor racing championship for which this talented, decent and honourable man had worked so hard.

Happily, the record books will show boldly that Hill was champion. Memories will fade that his



Johnson blasted



Gooch's moment

title was secured under the shadow of another whose talent, it is now manifest, is indisputably greater. Hill is champion; Schumacher, Michael, is faster - by a country mile, and over every other current driver.

The truly defining moment of driver ability in 1996 came not when the flag fell at Suzuka, but when the heavens cried at Catalunya. Rain is the great leveller of grand prix cars; the distinguisher between the great and the only very good in terms of drivers.

Practice for the Spanish grand prix had proved what we all knew: that in the dry Schumacher's Ferrari was hopelessly uncompetitive. Then came the

rain, and the final, certain knowledge that history will place Schumacher among motor racing's all-time greats.

In an awe-inspiring "moment" lasting 90 minutes, Schumacher positively danced his Ferrari along the very brink of the endless, slippery and deeply perilous precipice which all circuits become once rain-lashed.

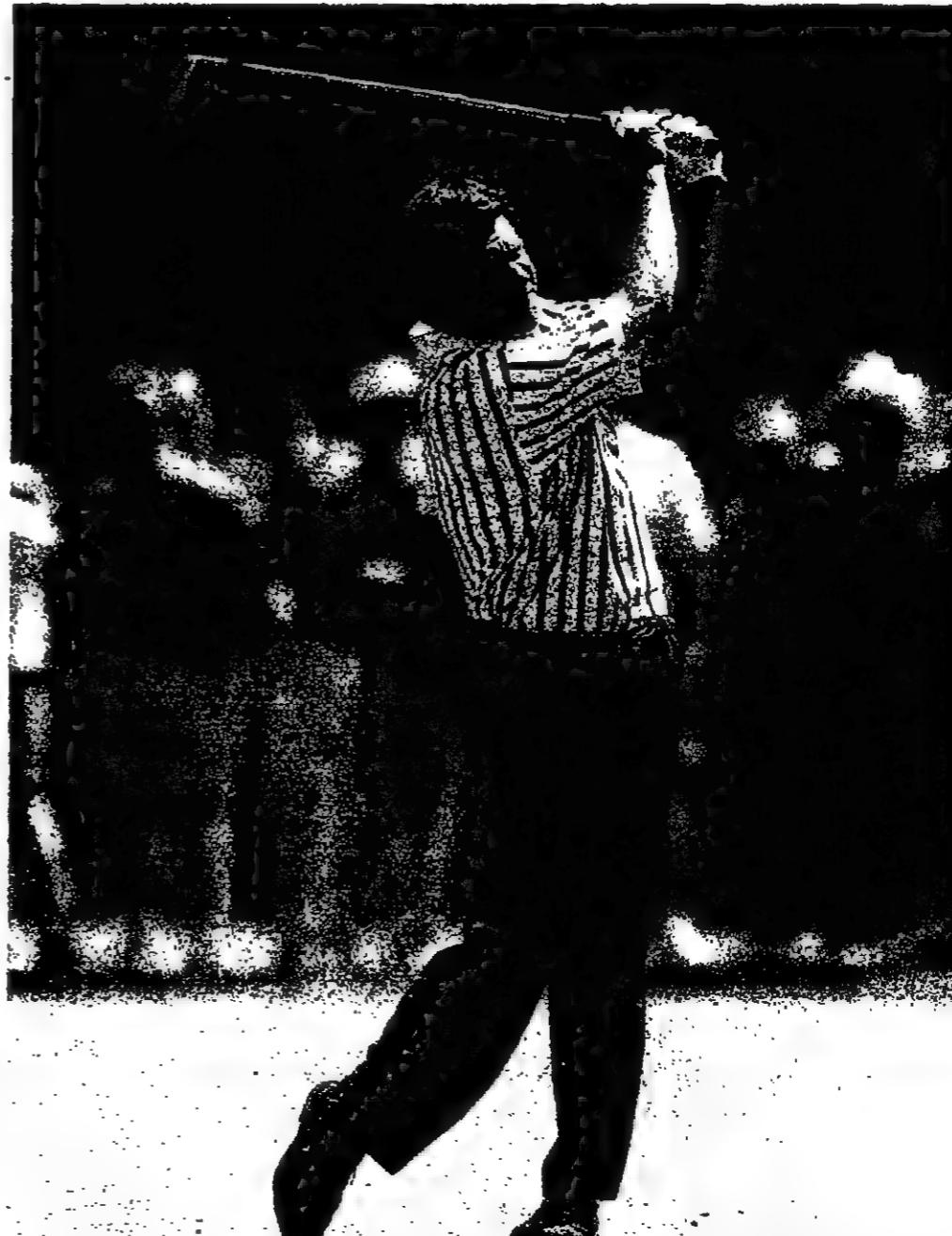
Time after time after heart-stopping time, the red car's back end snapped out; only to be caught and held so swiftly, so surely that, by the chequered flag, high drama had become hypnotic routine. From mid-way down the field at the first corner, Schumacher was in the lead by lap 12. Thereafter, he romped away, faster than all others by four seconds - nearly 200 yards - a lap, to be 45 seconds ahead at the finish. Catalunya told us far more about this cool, calculating and, some insist, arrogant young German, than simply that he won.

Schumacher wanted to send a message: clear and demoralising to all rivals - that on a level playing field he is, simply, the best.

Yet, in the end, the moment also overtook the man. Schumacher, too, was caught up emotionally in the relentless rhythm of his and the Ferrari's dance. The display became one beyond tactics, strategies or points-scoring. Here was a man exulting in an innate talent, and even Hill fans exulted with him.

**Rugby**  
Huw Richards

The last 12 months are liable to be remembered longest for off-field events, and in particular the



Gooch's majestic

Both batsmen were removed by Lancashire's energetically erratic Peter Martin in his eighth and final over, which ended with two wickets, two wides, two singles, a four and a farewell Gooch six to his name. The cricket was never dull.

I enjoyed Gooch's innings, with all its smooth scoring strokes, more than I enjoyed Mike Watson's brave and flamboyant 87 in reply because it came as more of a surprise. I had let myself forget Gooch's long history of scoring faster than it seems, in all kinds of cricket.

**Baseball**  
Jurek Martin

It has not been a vintage year for spine-tingling moments, like Cal Ripken in 1995 hitting homers in the games he tied and then passed Lou Gehrig's durability record.

Excluded are Kerri Strug's Olympic vault (too short and hyped), Evander Holyfield's knock-out of Mike Tyson (too trivial) and Tiger Woods's spectacular arrival in professional golf (no single defining shot).

John Parisi, of the Federal Trade Commission in Washington, helped us out of the rough. He points out that baseball again this year touched not merely the spine but, literally, the heart.

It happened on the off-day between games five and six of the World Series.

The New York Yankees had turned an 0-2 deficit into a 3-2 lead but were facing the nonpareil Atlanta Braves pitcher, Greg Maddux, on his home turf on Saturday night.

As indeed they did that night. Or, as Joe Torre put it, "just like an old baseball player, he got a new heart on a travel day".

Beats jumping, punching and wedging any day.

## Soccer Peter Aspden

The European Championship held in England was by no means a classic tournament, yet it featured its share of sublime moments: Karel Poborsky's

scoop-shot to knockout a pretty but ineffective Portuguese side; David Suker's wicked chip over Peter Schmeichel; Jürgen Klinsmann's explosive turn and finish against Russia. No matter how efficient and resilient modern defences have become - and they were extremely effective in this tournament - there are still certain players who can turn a game in a moment.

England suspected they had one of those in the wayward, prankish figure of Paul Gascoigne. Yet for a game and a half, he did little to justify his supporters' faith. In the game against Scotland, he puffed and strained to make an impression, but it was England who escaped lightly when David Seaman saved Gary McAllister's penalty.

Then, inspiration struck. A surging run forward, the defeat of flicks on the run with his left foot, an English volley with his right, England were transformed. The goal, apart from swinging the game had a talismanic effect on the side, which shed its inferiority complex and began to play with the sophistication demanded by international football.

England lost an epic semi-final against Germany, who went on to win the championship. But Gascoigne's goal made sure they went out with a certain amount of style. Football came home to a moment of native brilliance.

## Golf Derek Lawrenson

The Masters has long held a reputation for being the most exciting of golf's four major championships but what happened at Augusta last April went beyond drama. The last day's play developed into an epic and the repercussions for the two protagonists endured all year.

Yet with a round to play who could have guessed as much? Greg Norman had outplayed Nick Faldo over the closing holes of the third round to set up a six shot leading going into the final day. A coveted first green jacket, after so many disappointments, now appeared a formality.

Such a scenario discounted one impediment: that where Faldo is always inspired under pressure, Norman is often inhibited. If Faldo whittled away at the lead early on, then there was every chance that Norman would crack. So it proved.

The desperate sadness of watching a man unravel before one's eyes was weighed against admiration for a consummate stalker.

At the end Faldo hit his own joy to embrace the vanquished in a supreme sporting gesture. When he returned to Britain two months later he found himself showered with an affection that hitherto had always been missing; Norman, meanwhile, lost his appetite for the game. It will be Augusta next year before it fully returns.

## BOOKS



Pier Paolo Pasolini's 'Petrol', the late film director's novel of lust and power which has been suppressed for 17 years, appears in May

## Happy singing the blues

**B** B. King's signature tune is "Every Day I Have The Blues", but reading this good-natured biography it is sometimes hard to believe that it's true. Despite taking more than 20 years to reach the mass audience, King has always been the most accessible of bluesmen, visibly trying to please his audience. It is a form of seduction, and love appeals to be the key to King's life.

According to his recollections, B.B. was six years old when he began making love with his seven-year-old sweetheart. He has spread himself wide, if not thin, ever since, fathering 15 children. Although he would appear to have remained true to only one partner, his famous guitar, Lucille, he also reveals that there have been 17 Lucilles.

Riley B. King's father left his mother, only to reclaim young B.B. after his mother's early death. This double-abandonment produced a premature self-sufficiency in King. King found his own work-ethic rewarded by sympathetic authority figures, both black and white. This gave him the foundation which resulted in his eventual move to Memphis to make it in the music business.

King's early blues influences were his cousin Sukka White, Blind Lemon Jefferson, and Lonnie Johnson. But radio brought all kinds of music his way, and from the first his tastes were eclectic, embracing jazz and white country music as well as the blues. His easy approach owes much to Louis Jordan, just as today's leading popular bluesman, Robert Cray, owes much to King.

King was influenced by many people, and helped by many more, along the way. Yet it is his remarkable talent for seductive blues-singing that made him a worldwide star. There is little time for negatives, whether they be the pain of his upbringing in a racist society, or the perils of the music business. Lots of thanks and no regrets. As a showbiz biography, it could have been bland. But this is B.B. King.

**BLUES ALL AROUND**  
**ME: B.B. KING THE AUTOBIOGRAPHY**  
**B.B. King with David Ritz**  
**Hodder & Stoughton £13.99.**  
**324 pages**

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I once sat in on a talk to a small group of music students which Dr. King (he has four honorary degrees, including one from Yale) gave, in which he described each of his guitar influences, while imitating their styles perfectly. Everyone from Django Reinhardt to Wes Montgomery was demonstrated, all the blues greats, and then King began to play his own style. A group of highly trained musicians was mesmerised. "The Thrill is Gone" was King's biggest hit. The thrill of B.B. King is never gone.

Michael Carlson



Seductive B.B. King

## Hedonism – and feminism

Jackie Wullschlager looks forward to what the publishers have in store for us during 1997

If you're feeling guilty about festive excesses, the perfect New Year cure is Richard Klein's "post-modern diet book", *Eat Fit* (Picador, January). Klein wrote the subversive *Cigarettes Are Sodomy* and his celebration of fat – "Politicians cultivate it, singers require it, gourmets appreciate it, and lovers play with it" – is iconoclastic. Along with other versions of hedonism-on-the-page such as Jared Diamond's *Why Is Sex Fun?* (Weidenfeld, June) and Peter Mandler's *The Fall and Rise of the Stately Home* (Yale, April), about the post-1970s obsession with country houses and leisureed weekends, this marks a new 1990s genre of sophisticated commentaries on pleasure, the intellectual's riposte to bestselling cookbooks and wine guides.

The mood in the publishing industry, which enters the New Year with a £120m debt of unearned advances, will be more serious. The search is on for young writers who can be groomed into the Jeffrey Archer of the next millennium, and eyes will be fixed on the fortunes of a handful of fat, new commercial novels which have bagged six-figure advances. These divide increasingly into his-and-hers niche markets: the slick, scientific techno-thriller, which flatters businessmen with fantasies of power and knowledge, versus the photocopy-and-dictates romance bought by working girls.

Michael Carty gave up a £70,000 a year marketing job to write *The Miracle Strain*, a biotechnological thriller about a scientist who invents a geneoscope, an instrument which decodes human genetic software. It was snapped up as one of 1997's likely bestsellers by Bantam Press for £150,000. Hollywood rights are on the way. Similar books which have pre-earned large sums confirm that biotechnology and genetics will fuel the techno-thriller craze in the late 1990s. Paul Carson's *Scalpel* (Heinemann, July) is a medical page-turner set in a Dublin maternity hospital; Ken Follett's *The Third Twin* (Macmillan, February) hinges on a genetic research programme which a female scientist must uncover to solve a murder. Matthew Lynn's first novel *Insincerity* (Heinemann, April) also has a trendy woman scientist, at work on a vaccine against a deadly new virus, framed for a crime. A Danish rival, Michael Larsen's *Uncertainty* (Sceptre, January), is a European bestseller: a journalist searches, via computer-enhanced imagery, pornography and industrial theft, for his girl friend's murderer. This is the quintessential 1990s plot – spun on a mix of the modern tools (drugs, computers, psychotherapy) with which we distance ourselves from ourselves.

The 1997 twist to international thrillers is a Hong Kong setting. John Burdett's *The Last Six Minutes* (Hodder, January) has a race-against-the-clock murder mystery to be solved before Hong Kong is handed back to the Chinese; in *The Year of Living Dangerously* (HarperCollins, June) John Gordon Davis pits a lawyer and a prostitute against a Mafia boss caught importing uranium into the colony.

Women's bestsellers look as sheltered as a Victorian nanny in comparison, but here too it is sophistication that earns fat advances. Marian Keyes, a 32-year-old accountant, received a "large six-figure sum" for *Lucy Sullivan Is Getting Married* (Mandarin, February), a hangover-and-smoking story which will take any urban female irresistibly back to her mid-20s, yet has a vein of romance running through its street-cred bravado. It belongs to the smart gossip-with-girlfriends genre which is transforming 1990s women's fiction. Other examples: Jane Green's *Best Friends* (Heinemann, August) and – with literary pretensions – Louise Erdrich's tale of the erotic couplings of a tycoon's five wives in *Tales of Burning Love* (Flamingo, February) or Helen Dunmore's short stories *The Love of Fat Men* (Viking, June). It promises to be a fine year for

**Sophisticated commentaries on pleasure mark a new 1990s genre – along with the biotechnological thriller**

*Shame* (Heinemann, September), about the 19th-century Irish diaspora after the famine. Fred D'Agua's *Feeding the Ghosts* (Chatto, June), a story of an 18th-century slave ship owner who threw 100 slaves into the sea, and what happened on board and later in an English courtroom, when one of them managed to climb back on – and *The Name of Blood* (Faber, February), Caryl Phillips' interlocking tales of an African general in Renaissance Venice and a Jew in Nazi Germany.

New names to watch: Ian Peers

received a large advance for *Instance of the Finger Post* (Cape, October), a historical-literary novel likened to *The Name of the Rose* (Norwegian Erik Hansen's *Psalm at Journey's End* (Secker, June)) about seven musicians going down with

the Titanic, has been a European bestseller translated into 22 languages. And Arundhati Roy received £150,000 for her first novel about twins growing up in Kerala, *The God of Small Things* (Flamingo, June); will she be the Amy Tan of India?

Dominant *fin-de-siècle* themes emerging in non-fiction are (1) a non-dogmatic, popular feminism; and (2) an apocalyptic way-we-live-now social analysis. We are all supposed to be feminists, so a staggering number of serious books about women's identity are flooding the market. After *The Beauty Myth*, Naomi Wolf challenges the idea that now is the freest sexual era for women in *Provocative: An Opinionated History of Female Desire* (Chatto, April). If this sounds like teenage bragging-and-pouting feminism, more weighty will be an overhaul of myths about the wise old woman archetype in Clarissa Pinkola Esté's *The Dangerous Old Woman* (Chatto, July). Jean Smith ranges from essays on Princess Diana to *The Story of O in Different for Girls: How Culture Creates Women* (Chatto, July), a look at female role models. Clare Longrigg's *Women is The Mafia* (Chatto, June) suggests that a new involvement of women in crime is triggering social revolution in Italy. A lone, impressive voice sounding out against them all will be psychiatrist Anthony Clare on *Men* (Sinclair Stevenson, October).

In *Hystories* (Picador, May), feminist Elaine Showalter argues that hysteria, traditionally seen as a female disorder, is a universal illness. As radical a critique of our times comes from David Jenkins, former Bishop of Durham, in *Can We Think Again?* (Sinclair Stevenson, May), about "markets, politics, people and God", and the trivialisation of the individual into a consumer. In *Frozen Desire: The Psychology of Money* (Macmillan, June), James Buchan surveys art, finance, and philosophy to show that money and its illusions of happiness has led the world to unprecedented instability.

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Carole Welch, Sceptre:

"One of the novels I would most like to have published is *The Insult* by Rupert Thomson, an exceptional writer who does not receive as much attention or have as large a readership as he deserves. There have been several excellent literary biographies, including Rosemary Ashton's biography of George Eliot and Hermione Lee's *Virginia Woolf* (Chatto), but not one I think that has so outperformed the rest that it is the envy of the trade."

Christopher Potter, Fourth Estate: "The novels I have enjoyed most this year have been *The Arizona Game* by Georgia Hammick and *The Giant's House* (Cape) by Elizabeth McCracken. I have always wanted to publish Beryl Bainbridge and Jane Gardam, both of whom had novels out this year, and both of whom seem to get better and better. Oh, and then there is Muriel Spark, of course. I lost out at auction on *The Neanderthal Enigma* by James Shreeve (Viking), the best sort of popular science."

Dan Franklin, Jonathan Cape: "The non-fiction title I'm envious of is of course *Longitude*. We offered for it, but had no inkling it would do so well. The novel I would most love to have published (apart from Seamus Deane, who we did publish) is Bill Bryson's *Notes from a Small Island* (Transworld). I published Bill's early books, but I am speechless with admiration for what Transworld have done with this one. I'm jolly glad I didn't publish *Op JB*, but I did turn it down several years ago."

Robin Beard-Smith, Duckworth: "The novel I most wish Picador had published is Patrick McGrath's *Asylum* (Viking), which confirms McGrath's status as one of the most powerfully imaginative writers of fiction today. My favourite non-fiction title was Redmond O'Hanlon's *Congo Journey* (Hamish Hamilton) which is, I think, the best book yet by this incomparable traveller. The single title I would have

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## The ones that got away

Susanna Rustin asked 10 publishers which books they would have most liked to publish during 1996, the ones they were proudest of and the ones they were glad to have missed

**T**he year's literary prizes have been given away. Editors have published their selections from this year's crop. For publishers, these are days of reckoning.

Which are the titles that they most envy their competitors? Were they surprised by others' unlikely triumphs, or mortified by their undeserved successes? Which were the year's really special titles, books any publisher would be proud of? And which were those that they are relieved to have turned down? We invited 10 London publishers to share their pre-Christmas thoughts and end-of-year regrets.

Sue Fletcher, Hodder & Stoughton: "The novel I most wish I had published is Kate Atkinson's *Behind the Scenes at the Museum* (Doubleday/Black Swan), out in paperback this year. I was the underbidder and it remains the one I mind most about having lost. Dava Sobel's *Longitude* (Fourth

Estate) must be the envy of every publisher because it was an unpredicted bestseller that restores everybody's faith in the robust qualities of the market. I'm certainly glad we didn't get involved with Christopher Isherwood's *Op JB* (Simon & Schuster) and I am proud of having published Rohinton Mistry's *A Fine Balance* (Faber) which is a splendidly rich and vivid story, Dickensian certainly and, like Dickens, very readable, and Scott Turow's *The Laws of Our Fathers* (Viking), which we bid for but lost, a novel which made me think about the legacy of the 1960s in an entirely new way. On the non-fiction front, we were underbidders for *Angela's Ashes* (HarperCollins) by Frank McCourt. Beautifully written, evocative, shocking, funny – a

*Reading in the Dark* (Cape). I would love to have published *Lisa Jardine's Workday Goods* (Macmillan), which deals with a period and a subject which fascinates me. I was a disappointed underbidder for Jessica Hynes's *Violet: The Life and Loves of Violet Gordon Woodhouse*. *Longitude* is the book that any publisher would be proud of, especially now that it has sold 100,000 copies. I do regret turning down Alex Garland's first novel *The Beach* (Viking), which I did because the author is a friend's son. The book has done better than I expected or even hoped."

Ursula Mackenzie, Transworld: "There are two novels I would like to have published – Rohinton Mistry's *A Fine Balance* (Faber) which is a splendidly rich and vivid story, Dickensian certainly and, like Dickens, very readable, and Scott Turow's *The Laws of Our Fathers* (Viking), which we bid for but lost, a novel which made me think about the legacy of the 1960s in an entirely new way. On the non-fiction front, we were underbidders for *Angela's Ashes* (HarperCollins) by Frank McCourt. Beautifully written, evocative, shocking, funny – a

memoir to be savoured." Hillary Hale, Little, Brown: "I have to declare an interest in my favourite novel *Longitude* (Michael Joseph) by Alexandra Raiffe; her agent is my husband. That said, it is an absorbing story with a perfectly painted background and I know I'll often read it for pleasure and comfort. I'd also have loved to publish Frances Fyfield's *Without Consent* (Bantam). Her portrayal of evil is chilling and she points out the faults of the justice system more succinctly than all the politicians put together. I am certainly envious of *Viking Publishing's My Name Escapes Me* and I'd guess more than a few publishers would have liked to be behind *Longitude*. I am proud to have published *Hilary's Willing Encounters* by Daniel Golding which is of lasting importance and relieved not to have been associated with Fugle's *My Story* (Simon & Schuster) which I'd have had no problem in rejecting."

Clare Alexander, Viking: "The two books I most wish I'd published are both about Ireland. Frank McCourt's *Angela's Ashes* is powerful and compelling, a best seller in America and I believe in Ireland, but overshadowed in Britain by Seamus Deane's *Reading in the Dark*, my other choice. I had heard Bill Brothroyd talk about this novel for years and had become sceptical that it would ever appear. This exquisite book was more than worth the wait."

Jon Trewin, Weidenfeld & Nicolson: "Fiction highlights for me this year have been familiar names: the new Le Carré, Beryl Bainbridge, Margaret Drabble (unjustly out of fashion), Melvyn Bragg. I would have liked to publish *Frances Fyfield's Without Consent* (Bantam). Her portrayal of evil is chilling and she points out the faults of the justice system more succinctly than all the politicians put together. I am certainly envious of *Viking Publishing's My Name Escapes Me* and I'd guess more than a few publishers would have liked to be behind *Longitude*. I am proud to have published *Hilary's Willing Encounters* by Daniel Golding which is of lasting importance and relieved not to have been associated with Fugle's *My Story* (Simon & Schuster) which I'd have had no problem in rejecting."

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## ARTS



Albert Finney, Tom Courtenay and Ken Stott in Yasmina Reza's 'Art', which has been called both the best and the worst play of the year

# Theatre in Paris

## Drama in haute couture

The French have a classical style in acting to which there is no British equivalent. Whether it is dreadful (in my experience, often), or marvellous (in a very few productions), it is deeply French, fascinating and to this British eye and ear - wholly exotic.

It is most famously associated, of course, with the Comédie-Française. No British Hamlet would deliver "To be or not to be" with the complete stillness and economy with which Redjep Mitrovic delivered it there in early 1994. As I recall, he spoke it ("Etre ou non être") at the centre of the front of the stage, without once shifting a foot. During the speech's first third, he moved not a muscle. During the second third, he raised his arms, held them during a climax, then let them drop. In the last third, he again moved not at all. Voice, eyes,

bone-structure alone held the audience; and what they told of Hamlet's nobility and agony of mind.

Wonderful. Equally full of haunting stillness was Yannis Kokkos's 1991 staging, at the Comédie-Française, of Racine's *Hippolyte*. Those tragic triangular dilemmas that are so thrilling a feature of Racine's work became, in this staging, breathing geometries, in which the space between long immobile characters became charged with expressive tension. Such tension derives largely from the extraordinarily noble stances of the actors, beautifully composed, and mesmerising in stillness.

But, while they do not move, they speak; and, through the handsomely liquid current of the actors' vocal tone, the intense pulse of the rhymes and metres of Racine's verse keeps hammering into the air. And just sometimes, they gesture. I well recall how Hippolyte (Valérie Dreville) listening, suddenly raised an urgent arm in mid-appeal to the speaker; held it, while still listening; and then, forlorn at what she heard, slowly let it drop to her side.

Meantime, at the Odéon-Théâtre de l'Europe, the French classical style is applied to Christopher Marlowe's *Edward II*. This production, however, is as bleakly austere as the Comédie-Française *Hippolyte* is elaborately embellished. *Edward II* has plenty of impulse and action, but here one is more aware of one bleak impasse after another.

The result - though long, at three hours and a half - is highly impressive. Even the vocal beauty of the

Comédie-Française style has

been pared away here, and though the actors can all stand still for long periods

with absolute assurance, they do so with not a jot of glamour.

As with the 1994 Comédie-Française *Hamlet*, the old English play acquires an unusual new power in this French rendition. Certain physical motifs - notably, a foetal pose on the floor - are

schematically deployed; arm

gestures, though very

seldom employed and very

seldom "natural", are given

complete force. Tension

keeps emanating through

the seemingly subdued style

of both speech and stance.

And the plot, thus severely

displayed, becomes

enthralling.

A.M.

## Theatre in 1996/Alastair Macaulay

## A year of lustrous parts



Janet McTeer, who carries an already excellent production of 'A Doll's House' on what seems an uncertain wave of energy

A single week at the Almeida. Truth, variety, musicality, beauty, daring: all these were present in abundance.

Above a high number and wide range of new plays, Pinter's *Ashes to Ashes* (at the Royal Court) stands out, head and shoulders. What it says ("No man is an island") is hauntingly refracted amid dialogue of the utmost tension and ambiguity. How amazing this is: while numerous playwrights half his age are turning out new plays about good old social realism, or melodrama, and dear old important ideas, it is Pinter who is still doing most to advance the art of dramatic writing. The only other playwright whose work seems equally advanced is Wallace Shawn. His *The Designated Mourner* (at the National Theatre) was baffling, and its leading role not given full justice by Mike Nichols (reading from autocue), but its current of language lingered afterwards in the mind with disturbing power. I hope to see it again. The Canadian actress Clare Coulter, on the Edinburgh Festival Fringe, performed Shawn's *The Fever* with an urgent power that revealed this monologue as exceptional (in January she will perform this at the Royal Court).

The Royal Court has kept

up activity in three different auditoria throughout most of the year, all three bang in the centre of the West End, while the home theatre is being rebuilt, and has done most to set the town talking about new plays. About new playwrights, too: Jez Butterworth (*Mojo*), Ayub Khan Din (*East is East*), Martin McDonagh (*The Beauty Queen of Leenane*), Mark Ravenhill (*Shopping and Fucking*) are among those who have become hot names now. Let me also, however, commend Samuel Anderson's poignant *Clocks and Whistles* (at the Bush Theatre). Homosexuality, physical violence, foul language, and explicit sex are still the boom themes for new plays: *Shopping and Fucking* and Sarah Kane's *Phaedra's Love* (at the Gate) come tied first for this year's most drastic forays into all these categories.

There were, of course, dreadful new plays too. The National gave us two of them: Pam Gems' *Stanley* and David Lan's *The Ends of the Earth*. But it also gave us *Blinded* by Sam, one of the two stimulating and surprising new plays by Poliakoff. Yasmina Reza's *Art* has been called the best and the worst play of the year. I was immediately delighted by it, but find that it diminishes with recollection; and I

am curious to see it again. It was a particularly poor year for the national playwright. I saw only one Shakespeare production of real distinction: Tim Supple's unusually sober view of *The Comedy of Errors*, as moving as it was funny, at the Royal Shakespeare Company. For some other classic playwrights, however, 1996 was bright. The young director Katie Mitchell, working at both ends of the chronological spectrum, did marvels with one of Euripides's most apparently awkward plays, *The Phoenician Women* (at the RSC) and with Beckett's *Endgame* (at the Donmar Warehouse by Sam Mendes) - is Alan Bennett. A supreme satirist, I am not sure that he should be called a playwright at all. He never creates a world onstage; and his conception of individual human character is depressingly fixed. Although he is more witty than, say, Alan Ayckbourn, his plays are less marked by dramatic variety and psychological flexibility. And the cleverly "English" smallness of spirit that characterises his writing makes me dislike England. Yet in *A Bed Among the Lents* - the monologue that Maggie Smith, as Susan the vicar's alcoholic wife, delivers so mordantly - he transcends himself, by showing how Susan's small-spirited Englishness keeps on contenting the exotic (Mr Ranesh Ranesh, the Indian who runs the off-licence) and the divinity.

Critics often sound like authors. But they are better when they work like investigators. And they are happiest when they respond like fans. When a production excites me, I want to see it again; and there were seven theatre productions I managed to see twice during 1996. *Ashes to Ashes*, *The Changing Room* (James Macdonald's Royal Court staging of David Storey's 1971 play, *Endgame*, *Happy Days*, *John Gabriel Borkman*. Other stagings - *The Phoenician Women*, the Chichester *Herda Gabler* - I only wish I had seen a second time during their runs; others - *A Doll's House*, *Art* - I hope to see a second time early in the New Year. Not a bad way to end the old one.

## Radio/Martin Hoyle

## Glimpses of how we live now

If you picked your way through the BBC's dogged Americanisation of the ether, it was possible to piece together a family Christmas on the radio: glimpses of how we live now, not sentimental but often touching, funny and engaging. Radio 4 came up with a near-Dickensian benefactor in *Lawrence Batley: 20th-Century Victorian*, a spry 85-year-old whose endowments include an art gallery, sports grounds and the splendid Lawrence Batley Theatre in Huddersfield.

The dapper Yorkshireman was approaching middle-age and retirement when he developed his cash and carry business. To his sporting interests we owe golf tournaments and the Lawrence Batley Handicap (at York races, where he takes the workforce on mass outings like those of his youth). A study in entrepreneurial

self-reliance to warm the heart of any Grantham grocer's daughter, in fact. But not entirely. "Liverpool was a great problem," he admitted: there he had a staff of 120 doing the work of 50, but refused to make any redundancies. His business is built on mutual trust. Not quite the perfect Thatcherite, perhaps.

"I've always had staff who stayed with me for years and years and years," more or less echoed his sentiments; but the speaker was Viscountess Scarsdale, a formidable 91-year-old. In *Boxing Day's Padi Companion* on Radio 4 we met her ladyship and Nancy Cammagg, her

live-in companion-secretary-cook-chef au fait. They get on well, though Nancy misses her own family (she is in her 80s) and would like her own things around her. These perfectly adjusted and sensible women were set off by the inanity of many of an awestruck Simon Parkes' questions. The gardens created by the Viscountess in the modest home she found after leaving Kedleston Hall moved him to wonder. "What were the huge stone balls, like cannon shells?" "I haven't the faintest idea," replied Lady S in the tones of one who has lived long and grown to suffer fools

almost absent-mindedly. "You don't miss Robert Adam's great sweeping staircase?" "Of course I miss them," replied the peeress with the faintest touch of asperity.

It was a good season for titled ladies on the air. On Christmas Day the Countess of Bradford organised (she would have made a good world war commander, opined the obedient Earl) one of the three households visited during last year's festivities in *Our Christmas*.

The most endearing was a loud, cheerful and affectionate northern family headed by Mark, nicknamed "Magical Marco" and one could

understand why. He adores Christmas, insisted on putting the 30-foot tree up in the garden at the beginning of December and, in the opinion of his long-suffering wife, had gone "over the top" in his passion for Santa Clauses and fairy-lights around each window. She would have preferred something simple in red and gold, proving herself a sister under the skin to Lady Bradford, who had imposed this theme on her more complacent husband.

The third household consisted of three flatmates,

brash young men whose laugher had that mirthless quality associated with these Bradfordians, unaware that their father's £2m death duty bill had removed them from the glories of Weston Park. The flatsharers have been at the chancery since shortly after getting up.

Mark sadly recalls a family feud with "our Graham" who cuts him dead if they meet. Mum remembers their best Christmas dinner, with 17 all told, and the worst, after her mother died and she found she had a lump. The Countess would have hired help but resigns herself. "I shall be here for the next 30 years, hopefully doing the same thing." Up north tears give way to Mag-

ical Marco, dreaming of the lottery and a Hawaiian beach. "But I wouldn't go without the family."

One of the three blokes recalls a lonely, broke Christmas with a "little weep" over a Bernard Matthews turkey dinner. The Earl cheerfully addresses himself to the washing-up. Up north Mark earnestly abjures us: "You've got to be happy." He mischievously leaves the sound on, record Nana's snores as he tip-toes away. I hope, I do hope, it will be the same next Christmas.

## ART GALLERIES

ANNE REDPATH/JOAN EARDLEY until 18 January 1997, Duncan R Miller Gallery 144 West Regent St, Glasgow. 0141 204 0700 for information.

## ARTS

In Vienna you can hear more of the best German-language opera and *Lieder* singers, a great orchestra, and chamber-ensembles steeped in the Viennese-classical tradition. In New York, more of the best Italians and the native voices, who nowadays form a sizeable proportion of the world's most thoroughgoing professionals, the NY Philharmonic, a constant stream of fine visiting bands and instant appearances by any soloist who has created a sensation somewhere. Paris, Berlin and Amsterdam have their own strengths, slightly more parochial.

But the enormously wide range of "classical" music in London is unequalled, its catchment-area for European artists spread wide and judiciously, the average quality of the performances remarkably high: I believe we are uniquely lucky. An extraordinary number of non-British performers choose to live in London, even when their careers are

## Orchestras in tune with the times

largely abroad – as much because of the rich musical fare here as of the convenience of Heathrow, flights to almost anywhere where they might be giving concerts.

You might suppose, on account of press reports, that London's main orchestras (five of them, an extravagant number) and opera-houses (two, like New York and Vienna) are in imminent peril of collapse and bankruptcy. Indeed, you may have thought that for several years; and yet none of those national treasures has founded. The Royal Opera may have pulled in its horns – very few new productions, many dogged recyclings of old ones – for the last few months before it shifts for rebuilding, but the ENO's programme positively bristles with novelties.

Meanwhile the Wigmore

Hall, under Bill Lyne's canny direction, is sold out again and again for solo recitals and chamber music. Performers love it for its perfect acoustics; somebody in the Kuhmo Festival team, rehearsing there last year, exclaimed "It's like playing inside a Strad!"

Admittedly it is "elitist". The Wigmore holds a mighty audience of less than 500, and quite often its devoted subscribers gobble up all the seats before the general public gets a look-in. We could well do with another London hall designed for an audience of 800 or 900, if it came anywhere near to matching the Wigmore sound – an acoustic that leaves your best CDs sounding flat and distant.

By various routes, our five chief orchestras survive in the bigger halls. The LSO,

through its secure Barbican residency and the return of Sir Colin Davis as its principal conductor; the BBC SO through public funding, but also by bold imaginative programming and promotion. Last month its eminently worthwhile but unlikely performance of William Bolcom's *Songs of Innocence and of Experience* after Blake – Bolcom is a jolly American eccentric, hardly known here – managed to draw almost a full house at the Royal Festival Hall. Its recent policy of selling all-unreserved seats at a modest fixed price has paid off extremely well.

The struggling Royal Philharmonic has decamped to the Albert Hall, hoping there to enhance its reputation beyond the bargain-CD market. Though it has a trump card in its

new conductor Daniel Gatti, prior commitments mean that he can begin full-time operation with the orchestra only from March; we wait to hear.

Just in the nick of time, the Philharmonic has acquired Christoph von Dohnányi as its principal conductor, who should assure their future for a good while. Only the London Philharmonic dangles in the wind, excellent though it is: since Ettore Tornadori withdrew as its principal conductor it has been in desperate need of a full-time conductor with clout, and so far have not found him.

The times are difficult for classical orchestras, but not only in Britain. A major American orchestra on tour has been on the verge of striking on the very day it was to reach Vienna; and a

week or so after one of the great performances I heard this year – of Bruckner's Third Symphony, by Kurt Masur and his Leipzig Gewandhaus orchestra – that conductor resigned in disgrace over the bureaucratic and financial constraints that were cramping his musical work.

Now, the inherited repertoire that we love is almost a guaranteed loss-maker in live performances. It used to be propped up by profitable CD recordings – the very things that threaten live performances, in which performers now perfect their expertise before turning to records for a decent payoff.

For contemporary music, even modestly "atmospheric" stuff demands more sharp-eared, acrobatic playing than most of the older repertoire, and the last 40-odd years have found composers expecting – especially with the lavish state support of the 1960s and '70s in mind – whole orchestras to possess powers

reserved heretofore to solo virtuosi.

In present circumstances, it is almost miraculous that the Royal Festival Hall and the Barbican can afford to put on anything at all. And yet they do, of course (with help from the BBC, without whom London concert-life would be far poorer); and often to well-filled, even packed houses.

Looking back through this year, I seem to have encountered enough really distinguished performances for several seasons: a grand Birrle's retrospective on the South Bank, an extraordinary Mahler Ninth by Benjamin Zander and the Philharmonic at the Barbican, a famous Bruckner Sixth from Colin Davis and the LSO, Kent Nagano's brilliantly imagined concert-staging of Berlin's *Damnation of Faust*, Kurt Weill's *Silbersack* at the Proms – to mention only a few that have come my way, and not mentioning a lot of splendid smaller recitals at the Wigmore and in the Purcell Room. How on earth do we do it?

### Concerts in 1996/David Murray



The dominant Royal Ballet artists were Irek Mukhamedov, his Albrecht and Romeo without peer; and Darcey Bussell, for whom 1996 was a year of radiant achievement

### Dance in 1996/Clement Crisp

## In search of the way ahead

Dawn Powell (an under-rated writer) noted: "Depressing as year, but not as depressing as the thought of a new one". The words strike a chord as I look back over 1996 and wonder about the security of our dear, old and, everyone supposes, indestructible ballet. Ballet is the chief matter I reviewed this year. It has not looked in good health for some time, and little in the past 12 months leads me to believe that it has found – or faintly discerned – a way ahead. (The year, significantly, brought the death of Lincoln Kirstein who made possible the flowering of 20th-century classical ballet when he brought George Balanchine to America).

1996 was the year when a travesty of *Swan Lake* (Matthew Bourne's male-swan gloss) reached the West End and played in continuing performance for months. It was the year when the Bolshoi Ballet went to Las Vegas and died a box-office death. And as the old balletic order changeth, yielding place to nothing new in Russia, disarray is rife. Without its Soviet identity, Russian ballet has yet to find a reason for existence. (I saw the Bolshoi in Graz, and was saddened by the prevalence of harsh bravura in the performances). Both new choreography and new incentives are urgently needed to save the art from seeming as marginal and remote as it was in Russia when our century began.

Few are the choreographers today who boast the clarity of means and sense of lineage so essential to ballet's life

offerings were a vexation to the spirit.) A significant creation was Michael Corder's three-act *Cinderella* for English National Ballet. Corder, whom the Royal Ballet decided it could do without – for inexplicable reasons – showed yet again that he is a fluent, musical maker of classical dance. Unhappy news was Matthew Hart's AIDS-concerned *Dances with Death* at Covent Garden, and his *Two-part Inventions*, over-egged to score (a Prokofiev piano concerto and a minimalist sound-track) and over-burdened with steps and design. David Bintley's *Far from the Madding Crowd* for his Birmingham Royal Ballet is destined never to be far from the maddened box-office, so well-equipped is it with rustic charm. An awful arrival in Birmingham from Canada was James Kudelka's *Boiser de Jeze*, but Bintley pulled off an ebullient version of Duke Ellington's jazzed-up *Nutcracker* with his *Nutcracker Sweeties*, which his artists danced joyously well. Bintley also encouraged 11 young dancers from his company to make choreography to sections of the Mozart Requiem: a brave move and very welcome. (This creative workshop is repeated this winter: cheers and more cheers.)

At Covent Garden, 50 years of Royal Ballet residence was marked by a gala performance of *Sleeping Beauty*. Some of the dancers from 1946 (a blessed horde) were on stage to see Darcey Bussell triumph over a hideous staging, and Dame Ninette de Valois, indomitable, glorious, came on stage in her 88th year. The company paid tribute to Kenneth MacMillan by reviving *Anastasia* in a handsome production (in which Viviana Durante and Sarah Willard were excellent), bringing back *The Prince of the Pagoda*, and restoring *The Invitation* to the repertory. Dominant male artist at the Opera House was Irek Mukhamedov, his Albrecht and his Romeo without peer. For Darcey Bussell, 1996 was also a time of radiant achievement: her

dancing has been an abiding marvel. Adam Cooper in his Opera House repertory and as Bourne's Swan was powerful, haunting, a rare artist.

Birmingham Royal Ballet gave an alert reading of *Agon* and *Swan Lake* in fine style.

English National Ballet travelled a great deal, and came to the Coliseum with *Cinderella* and *Alice in Wonderland* (production as substitute for steps), and *Giselle* (a wrong-headed first act, but Act 2 made tremendous). Edur left to join Birmingham Royal Ballet. A Royal Festival Hall season brought a "ballet" by Christopher Dean supposedly about the tensions of a

heroines of the year included Siobhan Davies, who produced two pieces, her choreography having an even keener edge than before in making shapes and touching our senses; and Manuela Carrasco, a flamenco star who was incandescent amid a less than fiery season at Sadler's Wells. The return of Lynn Seymour to the stage in Matthew Bourne's *Swan Lake* won the "Cause for Rejoicing Award of 1996". "Most Welcome Building Work of the Year" was the pulling down of Sadler's Wells Theatre, soon to be replaced by a structure able to house dance without the performers harking their shins on the scenery. Among new dance works, I was impressed by Kim Brandstrup's *Crime Fictions* for his Arc Dance troupe, and his *Edolos* for Rambert, which both dealt with the uncertainties of truth.

Ahead, I was grateful for almost

everything the Paris Opéra offered.

At the re-turbanned Palais Garnier (millions well spent) and the Bastille, the dancers were on superlative form. Apart from a lamentable new *Coppélia*, there were dazzling accounts of ballets by Lilac, Robbins, Massine, Petit, Ashton, Paul Taylor, Balanchine. The men, headed by Maikel Legris, Laurent Hilaire, Nicolas Le Riche, Kader Belarbi, were astonishing. Among the women stars, Elizabeth Plater remains a classicist's joy, not least as the ballerina in *Rhapsody*, and Elisabeth Maurin and the young Aurélie Dupont were delights. José Martínez made a tremendous impression in *Rhapsody*, and was also a notable Miller in *Le Tricorne* in Nice.

The Nice Ballet, characteristically, staged an imaginative *Picasso* programme, with *Tricorne* and *Parade* joined by a version of the *Cuadro Flamenco*. Picasso's witty set framing a vivid performance by the Cristina Hoyos troupe. The Paris Opera Ballet School revived Lilac's *Le Chevalier et la Donzelle* very well; in Nancy, Pierre Lacotte presented a restoration of *L'Amour*, one of the treasures of the Romantic age, with Monique Louloudis and André Fedotov. In Amsterdam, the Dutch National Ballet staged an admirable Balanchine festival, mounting nine of his ballets – they have another 18 in stock – and in Toulouse the Capit-

tole Ballet made a convincing showing in Balanchine's *Le Spectre de la Rose*, which is bliss in three-four time.

Among national events I salute

Scottish Ballet's revival of *La Sylphide*, made yet more memorable by the presence of two Danish stars: Johan Kobborg as a bounding James, and Sorella Englund as Madge, a performance of malign wit – it is one of the great interpretations of the year (and, I venture, of the decade). Northern Ballet Theatre revised its *Don Quixote* – odder than ever but enjoyed by its public – and staged *Dracula*, which was chilling in effects. If *bloodless* (no surprise) in dance, it was moved by the year's simplest staging. Wolfgang Stangle does wonderful work for Dangberg's tribute to the Austrian dancer-pedagogue Hilde Holger, in a

tribute to the Austin group.

and his *Lightning Seeds* had the

most cause to celebrate in

1996, not only for the tuneful

and exuberant *Dizzy Heights*,

but also the extraordinary

success of England's Euro 96

anthem "Football's Coming

Home", written by Boudre, whose face as he sang among the guests in Wembley's

Royal Box was the picture of

blissful contentment. A song

of the same cannot be said

of The Rolling Stones' *Rock*

and *Roll Circus*, from 1993,

so as the moment when "it

seemed that rock and roll

would inherit the earth".

although the subsequent

video better captured the

mesmeric allure of the

young Mick Jagger and a

very beautiful Marianne

Faithfull. The remaining

members of The Who made a

brave attempt to capture the

spirit of their hayday with a

live performance of *Quadrille*

in Hyde Park, but the

elements, and a general air

of Euro 96 anti-climax, were

against them.

Once again, the category

known as world (ie non-

Anglo-Saxon) music pro-

vided some of the most origi-

nal and curious moments of

the year: Nitin Sawhney's

*Displacing the Priest* mixed

Asian spirituality with jazz

funk; the Afro-Celt Sound

System's *Volume One Sound*

*Magie* sounded exactly as

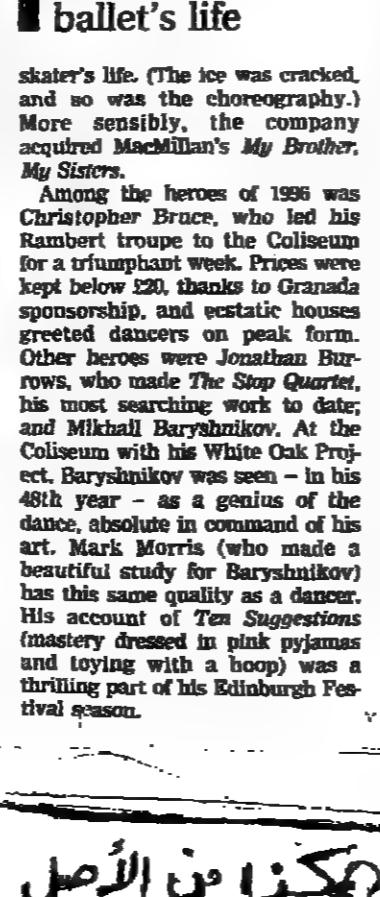
you would think, and made a

surprisingly smooth mar-

riage. Finally, to a category of album which has in the past been rightly derided as uninteresting and exploitative: the movie soundtrack. This year there were two essential *oùde-mémoires* to two very fine movies: *Dead Man Walking* featured songs by Bruce Springsteen, Johnny Cash, Suzanne Vega and others which had been inspired by Tim Robbins' film, as well as the actual soundtrack which twinned Nusrat Fateh Ali Khan with Eddie Vedder to marvellous effect. Then there was *Trans-*

*port*, can we ever again listen to Iggy Pop's *Lust for Life* without thinking of the thrilling, adrenalin-charged opening of Danny Boyle's brilliantly realised film? A perfect blend of sound and image, at once life-enhancing and terrifying. There are worse ways to remember 1996.

Peter Aspden



## What's on in the principal cities

### ■ AMSTERDAM

#### CONCERT

Concertgebouw Tel: 1-20-6718345  
 ● Tokyo Chamber Soloists: with violinist Yoko Kubo, cellist Ko wasaki and pianist Shuko Iwasaki perform works by Schumann, scalar, Kodály and Schubert; 11.15pm; Jan 2  
 De Nieuwe Kerk Tel: 31-20-6268168  
 ● Gustav Leonhardt, Bernard Wissensius and Nico van der Meel: the organ-players and tenor perform works by Hollander, Huygens and J.S. Bach; 3pm; Jan 1

#### DANCE

Het Muziektheater Tel: 31-20-5518117  
 ● Nutcracker and Mouseking: a special New Year's day matinee performance by the Dutch National Ballet of this choreography by Toer van Schayk and Wayne Eagling to music by Tchaikovsky. With special guest soloists Yelena Pankova and Carlos Acosta; 2pm; Jan 1

#### EXHIBITION

Rijksmuseum Tel: 31-20-5732121  
 ● Jan Steen, Painter and Storyteller: major retrospective exhibition focusing on the work of Jan Steen (1626-1679). The exhibition, previously shown at the National Gallery of Art in Washington, features nearly 50 paintings from international public and private collections and examines the range of subjects and styles in this Dutch artist's body of work; to Jan 12

### ■ BATH

#### EXHIBITION

Victoria Art Gallery Tel: 14-1225-477000  
 ● Picasso: Histoire Naturelle: touring exhibition presenting a set of 31 prints by Picasso from the collection of the Hayward Gallery. In them, the artist depicts animals, birds, insects and other creatures. Begun in 1938 for the picture dealer and publisher Ambroise Vollard, Picasso created these images to accompany the classic 18th-century text "Histoire Naturelle" by the French naturalist George-Louis Leclerc de Buffon. The works combine a wide variety of techniques, including lift-ground aquatint, etching and drypoint; to Jan 4

### ■ BERLIN

#### CONCERT

Konzerthaus Tel: 49-30-203090  
 ● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and violinist Joana Kamenska perform works by Berlioz, Bézard, Sverdien and others; 7pm; Dec 31

● Rundfunk-Sinfonieorchester Berlin: with conductor Jeffrey Tate, soprano Hillevi Martinpelto, alto Dagmar Peckova, tenor Stefan Margita, bass Franz Hawlik and the Rundfunkchor Berlin perform Beethoven's Symphony No.9 in D minor, Op.125; 8pm; Dec 30, 31 4pm

Philharmonie & Kammermusiksaal Tel: 39-30-2614383  
 ● Berliner Philharmonisches Orchester: with conductor Claudio Abbado, baritone Bryn Terfel and the Swedish Radio Choir perform works by Brahms and Schubert/ Brahms; 8pm; Dec 30, 31 3.15pm

Staatsoper Unter den Linden Tel: 39-30-2035438  
 ● Symphony No.9 in D minor, Op.125: by Beethoven. Conducted by Daniel Barenboim, performed by the Staatskapelle Berlin and the Staatsopernchor. Soloists include Karla Höhn, Katharina Ammerhofer, Endrik Wottrich and Kwangchul Youn; 8pm; Dec 30

#### ANCE

Deutsche Oper Berlin Tel: 9-30-3438401  
 ● Ballet-Gala: soloists of the Ballett der Deutsche Oper Berlin and several guest dancers from other companies celebrate the end of the year with a ballet gala featuring choreographies by George Balanchine, Ray Burks, John Cranko, Nacho Duato, William Forsythe, Jiri Kylian, Joëlle Musin, John Neumeier, Iarias Petipa, Dietmar Seydel, Stephan Thoss and Mats Ek; 7pm; ec 31

#### EXHIBITION

Its Nationalgalerie Tel: 9-30-209050  
 ● Manet bis Van Gogh. Hugo von Schubert und der Kampf um die Iodine: exhibition on the occasion of the 100th anniversary of the appointment of Hugo von Schubert as director of the Alte Nationalgalerie. Main theme of the exhibition is his leading role in the introduction of "modern" French Impressionist art in Germany. The display includes works of French art that were acquired in those years by the Alte Nationalgalerie and other German museums and collectors; to Jan 6

#### PERA

Deutsche Oper Berlin Tel: 9-30-3438401  
 ● Die Zauberflöte: by Mozart. Conducted by Stefan Soltész, informed by the Deutsche Oper Berlin. Soloists include Amanda Agius, Carol Malone and

## INTERNATIONAL ARTS GUIDE



Yury Temirkanov conducts in Rome

Clemens Bleiber; 7pm; Jan 1

### ■ BIRMINGHAM, US

#### CONCERT

Symphony Hall Tel: 44-121-200200  
 ● Glenn Miller Orchestra: with conductor John Watson and special guests Tony Mansell, Jan Messeder, The Moonlight Serenades and the Uptown Hall Gang perform Glenn Miller favourites in their original arrangements, including Chattanooga Choo Choo, Pennsylvania 6-5000, St. Louis Blues March, Moonlight Serenade, In the Mood, and other works; 7.30pm; Dec 30

### ■ BOSTON

#### EXHIBITION

Museum of Fine Arts Tel: 1-617-267-9300  
 ● Alfred Stieglitz and Early Modern Photography: an exhibition of 112 photographs and photogravures, plus copies of Stieglitz's magazine "Camera Work", letters in his hand and paintings by artists he exhibited. The display provides an overview of Alfred Stieglitz's 50-year career as photographer, editor and gallery owner. The exhibition also features works of photographers who Stieglitz published and/or exhibited during his lifetime, including Ansel Adams, James Craig Annan, Alvin Langdon Coburn, Frederick H. Evans, Paul Burty Haviland, Gertrude Käsebier, Heinrich Kuehn, Elliot Porter, George H. Seeley, Edward Steichen, Paul Strand, Karl Struss and Clarence H. White; to Jan 31

### ■ BRUSSELS

#### EXHIBITION

Palais des Beaux-Arts Tel: 32-2-5078466  
 ● Karl Blossfeldt: exhibition of works by the German photographer Karl Blossfeldt (1865-1932), who is specially known for his detailed black-and-white photographs of flowers and plants. The display features about 200 original photographs; to Jan 5

#### OPERA

Théâtre Royal de la Monnaie Tel: 32-2-2291200  
 ● Die Zauberflöte: by Mozart. Conducted by David Robertson, performed by La Monnaie. Soloists include Ernst Theo Richter and Judith Vindrová; 7pm; Dec 29, 31 (7pm)

### ■ COLOGNE

#### DANCE

Opernhaus Tel: 49-221-2218240  
 ● Der Nussknacker und der Mäusekönig: a choreography by Jochen Ulrich to music by Tchaikovsky, performed by the Tanz-Forum Köln; 4pm; Jan 1, 4 (7.30pm)

#### THEATRE

Schauspielhaus & West-End-Theater Tel: 49-221-2218240  
 ● A Midsummer Night's Dream: by Shakespeare (in German). Directed by Tora Fischer, performed by the Theater Köln (premiere). The cast includes Therese Dürrenberger, Frank Voss, Elfie Garden and Markus Gertken; 7.30pm; Jan 4

### ■ COPENHAGEN

#### CONCERT

National Concert Hall Tel: 353-1-6711888  
 ● National Symphony Orchestra of Ireland: with conductor Albert Rosen, soprano Mary Callan Clarke and tenor Dennis O'Neill perform works by Mozart, Puccini, Blitz and others; 3.30pm; Jan 1

#### EXHIBITION

National Gallery of Ireland Tel: 353-1-6615133  
 ● Turner Watercolours: the annual

taste and reveal the extraordinary quality of his collection; to Jan 5

#### JAZZ & BLUES

100 Club Tel: 44-171-6360933  
 ● New Year's Eve Party: featuring Laurie Chaco's Goodtime Jazz and Ray Fooley's All Stars with Alan Gresley, Dick Charlesworth and George Tidman; 7.30pm; Dec 31

### ■ OPERA

Royal Opera House - Covent Garden Tel: 44-171-2129234  
 ● Chérubin: by Massenet. Conducted by John Eliot Gardiner, performed by the Royal Opera. Soloists include Elizabeth futral, Alison Hagley and Nicole Tibbles; 7.30pm; Jan 1, 4 (8pm)

#### THEATRE

Lyddstone Theatre Tel: 44-171-9210851  
 ● Elsinore - Variations on Shakespeare's Hamlet: a solo show based on Shakespeare's "Hamlet", created, directed and performed by Robert Lepage. The music is composed and performed by Robert Caux; 7.30pm; Jan 8, 11 also 2.15pm; from Jan 4 to Jan 11

### ■ NEW YORK

#### CONCERT

Avery Fisher Hall Tel: 1-212-875-5030  
 ● New Year's Eve Gala: featuring the New York Philharmonic with conductor Zubin Mehta; 8pm; Dec 31

#### EXHIBITION

Solomon R. Guggenheim Museum Tel: 1-212-423-3600

● Ellsworth Kelly: this exhibition features the first complete survey of the artist's painting, sculpture, works on paper, and photographs.

Featuring more than 250 objects and spanning five decades, the display offers insight on Kelly's contribution to the development of American abstraction. Works throughout the artist's career are highlighted, including large-scale paintings and sculpture created in the past two decades, in addition to five paintings and three sculptures completed specially for the exhibition; to Jan 15

Whitney Museum of American Art Tel: 1-212-570-3600  
 ● Views from Abroad: European Perspectives on American Art II: the second of three comparative exhibitions analysing the artistic relationship between the US and Europe during the 20th century.

For the series, three directors of European museums create exhibitions combining the Whitney Permanent Collection with their own, to be presented at both institutions. This exhibition is curated by Jean-Christophe Ammann of the Museum für Moderne Kunst, Frankfurt and features primarily post-war drawings, paintings and sculpture, including Vija Celmins' "Heater" (1964), Rosemarie Trockel's "Daddy's Sryptette Room" (1990), and Robert Gober's "Untitled (Hairy Shoe)" (1993); to Jan 5

#### JAZZ & BLUES

The Queen's Hall Tel: 44-131-6683456  
 ● Carol Kidd with Suzanne Bonner & Fiona Duncan: performance by the three Scottish jazz singers; 7.30pm; Dec 31

### ■ FRANKFURT

#### CONCERT

Haus der Musik Tel: 49-69-3601240  
 ● Gold und Silber - Eine nostalgie Musikreise in die 20er und 30er Jahre: the Staatsphilharmonie Rheinland-Pfalz with conductor Siegfried Köhler perform highlights from operettas and musicals from the 1920s and 1930s, including works by Lüncke, Künneke, Kollo and others.

Soloists include narrator/vocalist Cerry Sasse, soprano Franziska Stanner, tenor Johannes Kalpers, pianist Alexander Muchin and bassoonist Ulrich Freund; 6.30pm; Dec 31 (Not Mon)

### ■ HANOVER

#### OPERA

Opernhaus Tel: 49-511-1666161  
 ● Macbeth: by Verdi. Conducted by Hans Ursenbæk, performed by the Hannover Staatsoper. Soloists include Andreas Förster, Andreas Macco and Karen Bureau; 7.30pm; Dec 30

#### MUSICAL

Richard Rogers Theater Tel: 1-212-307-4103  
 ● Chicago by Kander and Ebb. Directed by Walter Bobbie. The cast includes Bebe Neuwirth, Joel Grey, Marcia Lewis and James Naughton; Tue - Sat 8pm, Sun 3pm; Wed, Sat also 2pm; to Feb 9 (Not Mon)

#### OPERA

Metropolitan Opera House Tel: 1-212-362-6000  
 ● Tosca by Puccini. Conducted by Christian Thielemann. Soloists include Maria Guleghina, Sergei Larin and James Morris; 8pm; Jan 1, 4 (1.30pm)

### ■ HONG KONG

#### CONCERT

Concert Hall/HKCC Tel: 852-22734200  
 ● Hong Kong Philharmonic Orchestra: New Year's Eve concert, with conductor Samuel Wong, harpist Yolande Kondoros and flautist Andrew Nicholson. The programme includes works by Rossini, Mozart, Saint-Saëns and J. Strauss; 8pm; Dec 31

### ■ LONDON

#### CONCERT

Barbican Hall Tel: 44-171-6384141  
 ● London Symphony Orchestra: with conductor John Georgiadis perform works by Ziehrer, Johann Strauss, E. Strauss and Josef Strauss; 7.30pm; Dec 31; Jan 1, 2 (7.30pm)

#### EXHIBITION

Musée d'Orsay Tel: 33-1-40 49 48 14

● De l'Impressionnisme à l'Art Nouveau: this exhibition features a selection of works acquired by the museum in the 1990s. Ranging from Impressionism to Art Nouveau, the display includes works by such artists as Degas, Bonnard, Carpaccio, Mallol, Vuillard, Whistler, van de Velde, Van Gogh, Valgrien, Kupka and others; to Jan 5

### ■ PARIS

#### CONCERT

Cité de la Musique Tel: 33-1-44 38 45 00

● The Nutcracker: a choreography by Ronald Hynd after Marius Petipa to music by Tchaikovsky. Soloists include Elena Krasikova and Igor Yebra; 8pm; Dec 31; Jan 4, 5 (4pm)

### ■ ROMA

#### CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064

● Orchestra dell'Accademia di Santa Cecilia: with conductor Yuri Temirkanov and violinist Vladimir Spivakov perform works by Tchaikovsky; 7pm; Jan 4, 5 (5.30pm), 6 (8pm), 7 (7.30pm)

### ■ STOCKHOLM

#### EXHIBITION

Nationalmuseum Tel: 46-3-6684250

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● Focus on Cézanne: small exhibition focusing on the museum's collection of paintings, watercolours and drawings by Cézanne. Alongside these works, related works from other collections are shown. The display features some 25 pictures by Cézanne; to Jan 11

### ■ STUTTGART

OPERA  
Staatstheater Stuttgart Tel: 49-711-20320  
 ● Barbe-bleue: by Offenbach. Conducted by Ralf Weikert, performed by the Stuttgart Opera. Soloists include Elisabeth Fratul, Alison Hagley and Nicole Tibbles; 7.30pm; Jan 4, 5 (8pm)

### ■ SYDNEY

CONCERT  
Concert Hall Tel: 61-2-250-7111  
 ● New Year's Eve Concert: featuring works by members of the Strauss family, Lehrer, Oscar Straus and Offenbach. The interval is timed so as to coincide with the fireworks display over Sydney Harbour; 8pm; Dec 31



James Morgan

## The myth of the European fatted cow

How a population was left to flounder while the leaders chased monetary union

**T**he revolutions in eastern Europe have added to the sense that the 1990s can be the decade of Europe. It is always nice to find long-forgotten forecasts lying at the bottom of an in-tray.

The first edition of *World Financial Markets* in 1990 from J.P. Morgan makes for interesting reading today. Not because of the cheap laughs gained by hindsight (although these are always welcome), but because we can see how seven expected fat years became seven lean.

The analysis, wisely, was not wholly confident in its assertion for the title, "The decade of Europe?" needed the question mark. But the optimism of seven

years ago made the question seem quite reasonable. An economic recovery was under way, unemployment was falling. The only trouble was that Germany might be growing too strongly. But "the business community has gained confidence in the policy environment".

The policy environment in the European Union soon ceased to inspire much confidence. It became dominated by the drive to monetary union which was largely, but not wholly, irrelevant to solving western Europe's underlying problems. These became more obvious as the decade wore on.

In 1990 it was believed that an economic recovery could do the trick. But recovery achieved

nothing because the opportunity to reform national finances was missed. That meant the clean-up had to be left to the last minute and became inextricably part of the Maastricht process. The peoples of Europe were therefore left believing that fiscal austerity was the consequence of an obscure agreement reached in a small Dutch town in 1991.

And so this is not the decade of Europe. And here is a question which shows why. Which nation's newspaper wrote this? "Although there is far-reaching agreement in economic and political circles on the matter, a large proportion of the population is against the introduction of a single European currency. While among top decision-

makers, politicians, special interest groups, high officials, economists and media representatives, 78 per cent are in favour, among the population as a whole 46 per cent are against and 41 in favour."

As it happens, that came from *Die Presse* in Vienna. But the statement could have appeared in half-a-dozen nations' dailies. Those in charge have made a mess of explaining why monetary union is a good thing.

The Bundesbank has published an unconvincing little pamphlet called "Who, When, What, How, Why". In answering the last question, it says the euro is needed to make the single market work. It concludes: "A failure of Emu would throw Europe

back both politically and economically."

And that is about it. European Monetary Union has to succeed because the price of failure has become too great. It matters more than unemployment, more than economic inflexibility because decision-makers and top people have spent the 1990s thinking about nothing else.

They rightly tackled fiscal in-

competence, albeit belatedly, but overlooked the problems of the real economy.

The virtues ascribed to Europe in 1990 turned out to be those enjoyed in depth by East Asia. But in 1990 nobody talked about that decade of Asia. It was believed that central Europe would become a tiger economy.

Nowhere is a seasonal party game for you all go round the room and ask everyone what was the single most inspiring moment of the year; the instant when it really did feel like humanity was capable of shedding its meanness and joining the gods up on the mountains; when being alive meant more than opening bills and emptying the dishwasher.

Best things get too intimate, you have to dislodge moments which are highly personal. It would have to be a shared experience, an accessible pleasure. Many will choose a work of art: the quiet dignity of a monasteries painting observed in the Tuscan countryside; the visceral thrill of an operatic diva fearlessly reaching for an obstinate note.

Not for the first time, I find myself rummaging in a different field for my tings of transcendence. The sports field, to be precise. For this was the year that made me believe that sport, rather than art, is actually the most noble, the most dignified, the most precious of human recreations.

I have spent large parts of the year watching the greatest actors, singers, dancers in the world perform with searing commitment and soaring technique. Plays which have brought tears to eyes; swashings of music that wiped out the grim banalities of a joyless day and sent me home on a bellow of good humour.

But, absurdly, I find myself thinking of a young man kicking a football and another man diving gratefully to frustrate him.

So I turn to sport: to instincts which we would rather did not exist

Their names - Gareth Southgate and Andreas Kipke - barely matter. Both have become popular heroes in their own land, one for confronting adversity and the other for sealing triumph. I recall the extraordinary scenes of a summer night at Wembley and say: nothing can match this.

Let me start with the obvious point: the overwhelming advantage of a sports event is that no one knows how it will finish, which is not the case with most artistic events. Indeed, the great works in the canon are so familiar that they are robbed of their freshness and tension. We end up watching *Hamlet* and admiring a particularly vivacious Ophelia, an uncommonly amusing Polonius, and caring not a hoot about the young Dane's warblings.

I have seen *Hamlet* and *The Marriage of Figaro*, and a few other works of genius (for that is what they are) maybe a dozen times each; but, contrary to popular belief, I am not astounded by starting fresh perspectives each time. I see them, I think I have got the point by now. The "Mona Lisa's" smile is not that enigmatic. It is there not something a little desiring, morbid even, in our ritual enslavement to these great works?

We can, of course, choose the shock of the new. But so much of today's art is still paying off its debt to its antecedents - whether by imitation, opposition or parody - that the possibility of being genuinely moved by any of it seems quaintly old-fashioned. So I turn to sport: to its peerless sense of theatre; its robust appeal to tribal instincts which we would rather did not exist, but must find peaceful expression somewhere; its graceful vigour (like dancing, but someone is always trying to stop you); its dramas unravelling before you all over the field, small tales of courage, hope and downfall.

And then the real beauty of it all: that none of it actually matters. It is not, as some have said, a perfect metaphor for life (some good bits, some bad bits, just hope to stay fit and take each match/day as it comes). Life is more complicated than that, and art caters fonsomely for our need to reflect on the human condition. But that does not make it any nobler. Goodness knows what Nazi officers reflected upon as they listened to Schubert, but I can hazard a guess.

Sport pretends to be no more than it is. A ritualisation of struggle, a celebration of strife. A missed penalty, tears, cheers, handshakes and hugs. A manager holding a player's cheeks in his hands and telling him to hold his head up to \$9,000 enraptured spectators. That was my moment of the year. Someone will probably write something very good about it this day, but it won't be the same as being there.



Jonathan Spence: history is being invoked strenuously at the moment to reinforce an aggressive nationalism. *Conn Beale*

Private View

## Historian who looks into the future

Christian Tyler met Jonathan Spence, a world expert on Chinese culture

**Y**ou wouldn't ask a historian of the Tudors to comment on the problems of today's royal family. But, if your interest was modern China, you would not hesitate to consult Jonathan Spence, an expert on the Qing dynasty (1644-1911).

Spence gets asked about modern China a great deal. At a time when Hong Kong is about to be returned to its owners after 155 years, when the mainland is in the throes of a turbulent transition, and when the US cannot decide on its policy, his long-range perspective is especially valued.

A lanky Englishman with a short grey beard, Spence is not only a world authority on his subject; he has been described as one of the best writers of history alive. He comes from the same innovative Cambridge school that produced Simon Schama, David Cannadine and others. Like them, he went to teach in the US. He has been at Yale, where he is Sterling professor of history, for nearly 30 years.

"I travel a lot and I talk a lot," he said during a recent visit to his family in London. "I often point out that I'm interested in history, so why should I be asked about the future? With China, perhaps, it's a lack of knowledge, the strangeness of the names and language. But it says something about the global feeling of China's oddness and size."

And about our readiness to follow the Chinese way of thinking of themselves?

"Yes, exactly. So I sometimes try and talk myself out of a job. I say: 'Look, my research is in the 17th and 18th century.' Having denied the relevance, Spence immediately went on to cite things that could be useful to current analysis, such as China's early problems with population, the environment and trade with the West. "One can look at the deeper structures, as some historians like to call them."

Few students of, say, modern France would examine the 14th

century for clues. "Yet we don't feel a sense of absurdity in saying the founding of the Ming Dynasty in China, in 1368, has some real resonance with the founding of the People's Republic in 1949. You can see that the 1368 emperor and the 1949 communist leader faced quite similar problems in re-unifying the whole colossal civilian apparatus."

People like Prof Spence are usually called Sinologists. He does not like the term because to him it implies an interest in classical culture and language only, whereas he uses them to help him "look at the present and the past together".

The Chinese are fond of relating their present to some semi-mythic past. Spence said history was being invoked strenuously at the moment in order to reinforce an aggressive nationalism and to soothe the uneasiness about how the imperial style of the late Chairman Mao should be interpreted. At the same time, archaeology was dispelling some of the treasured historical myths.

I asked him what advice he would give the newly re-elected President Clinton.

"At the moment there is no US policy, it seems to me. Some people think that's not a bad thing. Most definitive policies have been rather unsuccessful, and maybe the best stance is a kind of wary co-operation. The hectoring about moral values keeps backfiring, I think."

Spence sympathises with human rights activists, but thinks State Department pressure on behalf of individual dissidents can be counter-productive. The fact that we now knew the dissidents' names was a sign that China was "much more in the world" than even 15 years ago.

Should we be afraid of China?

"Well, the word I used was 'wary'. And I think we should be extremely wary. It's a great potential source of money for the West and a highly complex source of very cheap consumer imports, as the Americans are discovering. There might be a

waterfall over territorial waters, but I think the land frontiers are fairly stable." Tibet was a possible flashpoint, the north-west province of Xinjiang a less likely one because of the large military presence there.

Are we witnessing the fall of a dynasty or just a change of emperor?

"I don't think we're seeing a change of dynasty, really, but an array of problems which we've seen before when strong central leadership becomes weak and at the same time authoritarian." He cited the violent punishments, random executions of criminals, gang warfare, resurgence of secret societies, prostitution, corruption and peasant tax protests.

One of his latest books, *God's Chinese Son*, is a reconstruction of the Taiping rebellion of the 1850s and '60s in which 20m people died. This autumn two large peasant revolts against levies

were reported from southern Jiangxi province and Qidong county in Hunan province. Could there be another uprising?

"It would be difficult with a very mobile military, aircraft and helicopters."

The key things that have changed compared with the 1940s are: no aggressive presence of Japan and the rapid movement of money and electronic information. It surely won't be very long before Chinese businessmen inland can put their money into the London Stock Exchange or Wall Street."

Spence's career was "supremely accidental." Trained in modern languages and European history, he won an exchange fellowship to Yale from Clare College, Cambridge. He picked China because it was new to him and Yale is one of the best places in the world to study it.

"I plunged in, never thinking I would go on with it. I had terrific teachers. After working in translation for a bit, some of them suggested I start learning Chinese at the basic level. So I began to do that - and I was really hooked."

"It was struck by the fact that China's cultural links to the past are: no sharper than modern Italy to the Roman Empire or modern Greece to ancient Greek civilisation. It does have the link that its cultural nationalists claim. I mean, you can read Confucius. You really can."

His wife also reads Confucius; indeed, she lectures on his work at Yale, like her husband. Amazing China is a specialist in the Chinese philosophers of the 5th and 4th centuries BC, relating them to their near contemporaries Plato and the Buddha. She is co-author of Spence's latest book, *The Chinese Century*, a startling photographic history

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## WEEKEND INVESTOR

## Bids/Deals

## Steelmakers battle it out

**A**s a heavy month for takeovers draws to a close, the most acrimonious battle is over Triplex Lloyd's 30p-a-share bid for William Cook, which values the Sheffield steel castings group at £257.8m, writes *Paul Adams*.

Cook has accused Triplex, another Midlands foundry group, of undermining its forecast that pre-tax profits would jump 26 per cent this year to £10.7m (£3.4m).

Native Markets and KPMG, William Cook's advisers and accountants,

have defended the forecast as sound.

William Cook says Triplex is trying to distract shareholders with spurious claims out of desperation to press home its bid. But Triplex says its cash and share offer exceeds the value of the company.

□ Newman Tonks, the architectural hardware supplier facing a £197.5m hostile bid from PKL, stands to gain £12m from the sale of its minority stake in Tesa, the Spanish security card maker, to

Williams Holdings, the security and fire products specialist.

PKL, the acquisitive electrical engineering group, is making a paper offer worth 150p a share, with a 140p cash alternative, and at least two big institutions have accepted.

□ Clyde Petroleum, the UK oil independent, has accused Gulf Canada, an international group, of trying to grab the company on the cheap with its 248.2m hostile bid.

Clyde's management says

it should be valued as a multiple of cash flow not of net assets as Gulf had done and accused Gulf of using selective statistics to justify its 105p per share offer.

□ Two bidders are pursuing Llywod Chemist, Gees of Germany has announced that it has acceptances from 0.16 per cent of shareholders for its cash offer of 500p a share.

There is a paper offer from UK rival, UniChem. Both have until January 17 to improve their offers.

## ■ Last week's interim results

Company	Year	Pre-tax	EPS	Dividends	Price	Yield	Share price	per share (p)	per share (p)
Altria Asia S	Int'l	Sept	13.35 (12.85)	-	-	-	-	-	-
Altria Group Inc	Int'l	Sept	70.55 (65.94)	1.25	-	-	-	-	-
Castrol M&P Int'l	Int'l	Sept	27.71 (26.02)	-	-	-	-	-	-
Electric & GKN plc	Int'l	Sept	27.04 (24.29)	1.8	(1.7)	-	-	-	-
Fordingard	UK	Aug	107 (101)	-	-	-	-	-	-
Formulor	Int'l	Oct	788 (722)	1.22 (1.17)	-	-	-	-	-
Macmillan	Chem	Nov	4,750 (4,650)	1.65	(1.65)	-	-	-	-
Tulsa Resources	Int'l	Sept	2,941 (2,221)	-	-	-	-	-	-

(Figures in parentheses are for the corresponding period.) Dividends are shown net per share, except where otherwise indicated. Ls/Ls = Net asset value per share. £ is British pound and pence. \$ = 3-month figures. \$ = US dollars and cents.

## ■ Last week's preliminary results

Company	Year	Pre-tax	EPS	Dividends	Price	Yield	Share price	per share (p)	per share (p)
Castrol	Int'l	Sept	11,131 (10,370)	-	11.0	2.5	(1.5)	-	-
Kellogg's	Int'l	Sept	2,478 (2,146)	2.6	10.02	3.0	10.02	-	-
Leicester City	UK	Oct	2,080 (2,000)	1.1	10.02	4.4	10.02	-	-
Wrigley	Int'l	Sept	10,000 (9,000)	-	-	-	-	-	-

## ■ Results due next week

Company	Announced	Last year	Dividend (p)*	This year
Company	Sector	date	Interim	Final
INTERIM DIVIDENDS				
Bally Gifford Japan	Int'l	Tuesday	-	-
Beverly Group	Eng	Tuesday	-	-
Guardian Media Group	Int'l	Thursday	-	-

(Dividends are shown net per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the date of the preliminary results. \* 1st, 2nd and 3rd quarterly. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

## ■ Directors' share dealings

Transactions in own shares between December 23-29 1996

Company	Sector	Shares	Value £'000	No of directors
SALES				
British	Int'l	12,000	15	1
British Biotech	Phm	120,000	247	1
British Polythene	PPAP	145,425	1018	1
Chadstone	Prop	1018	-	1
EFI Group	ObF	2,882,165	4,035	4
Eurotherm	Eng	5,000	27	1
Friendly Hotels	LAM	125,000	115	1
Henderson Group	ObF	5,000	57	1
Jarvis	BCap	735,000	971	1
Kewill Systems	SSer	200,000	1049	1
London Merchant Sec	Prop	18,740	19	1
Paragon	Med	40,755	260	1
Pizza Express	Brew	150,000	750	1
Ryf Bank of Sc	Bank	35,611	169	1
Southern Newspaper	Med	2,000	37	1
Staffware Plc	SSer	15,000	39	2
Stagecoach Group	Tran	894,182	1009	9
Wetherspoon (JD)	Brew	35,000	413	1
BAA	Tran	91,160	451	1
Clyde Petroleum	Oil	72,324	59	3
Crude Int'l	Chem	4,687	16	1
Euromoney Plin	Med	4,405	61	1
Hogg Robinson	SSer	261,528	759	1
PizzaExpress	Brew	1,010,000	5058	5
Providence Int'l	SSer	480,000	5822	2
Seven Trent	Wtr	58,350	389	1
PURCHASES				
Aberdeen Trust	ObF	12,250	11	2
Anglesey Mining	Ext	400,000	20	1
Antonov	EngV	100,000	90	1
Arcadian Int'l	LAM	25,000	11	1
BBB Design Grp	Med	50,000	12	1

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and Aim), including exercise of options (\*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange. Shares traded are ordinary unless otherwise stated. + = Cumulative convertible redeemable preference share. Source: The Inside Track, Edinburgh, 0131-226 7070

The Financial Times plans to publish a Survey on

## Swiss Industry and Technology

on Tuesday, February 4

## For further information

please contact

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on Tel: +41 22 731 1604

or fax: +41 22 731 9481

FT Surveys

The Financial Times plans to publish a Survey on

## Albania

on Wednesday, February 19

The survey will cover foreign policy, the economy, banking & financial markets, privatisation, tourism, natural resources, etc.

73% of readers agree that FT surveys are useful for their work. 69% of readers use surveys to keep them up to date with an industry or country.\*

\*Source: FT Readership Research 1996.

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## In the Pink

## Back to boom and bust - with Blair

That is the prospect Brian Reading sees under a Labour government as it comes to grips with Emu

mannally, as in 1987-88. Both

were salutary experiences. Britain's economic cycle is out of step with continental Europe's. When Nigel Lawson, as chancellor, pegged the pound officially to the D-mark, the UK was booming. Real GDP grew by 4.8 per cent in 1987 and 5 per cent in 1988. The German economy was stagnating in 1987, growing by only 1.5 per cent. So it

same happen again?

Britain's economy is set to boom in 1997, with up to 4 per cent GDP growth. Germany will be lucky to achieve 2.5 per cent growth, and will do so only if the D-mark remains weak and real long-term interest rates

vinced that this time the pound will remain pegged to the D-mark. The belief will grow that Britain will join the single currency.

Once this happens, it will be impossible for UK short-term interest rates to remain at 7 per cent or more while Germany's are 3 per cent or less. It will be up to 2 per cent more than German bund. Money will flood into sterling, creating a conflict between domestic and external policy requirements. The bubble will

be revalued. The Continent is being tightened to meet the budget criteria laid down in the Maastricht treaty. Most Labour MPs will want to enter Emu. So will many Conservatives and all Liberal Democrats. There will be a hefty House of Commons majority in favour. But will Labour leader Tony Blair take the plunge? Probably not.

First, there must be an election of parliament, which would occupy much of Labour's first parliamentary session. Then there must be a referendum. So Blair will probably opt out of membership in 1998 and hope to join later - probably in 2002, when the euro is scheduled to replace national currencies.

This will not be asked to vote on the alternative: staying out of Emu and, ultimately, being forced out of the single market and the EU. But they will be told this is the alternative and many will be persuaded - wrongly, I believe - that it would be the worse of two evils. So, there is a good chance a referendum will favour entry.

This, however, poses a big question: what will happen to sterling in the meantime? It might have to be revalued to the D-mark in the European exchange rate mechanism (ERM), as in 1990-92, or it could again shadow the mark in

the Bundesbank's easy money. UK interest rates were held down, stoking a bubble boom. In 1990-92, the opposite happened. The UK was in recession and Germany was booming. German monetary policy was austere, like Major's, more likely to be over-valued. In this case, UK monetary policy would have to be tougher than the Bundesbank's to keep the pound up and cool down the economy. There would not, in the short run, be the same conflict as before between external and domestic monetary policy requirements.

But there will be a difference. Lawson's pound was undervalued. Blair's pound, like Major's, is more likely to be over-valued. In this case, Norman Lamont, as chancellor, was forced to copy Bundesbank monetary austerity to prevent the pound from falling. This caused Britain to record its worst recession since the second world war. Real GDP rose only 0.5 per cent in 1991. German GDP rose 5.1 per cent and 3.7 per cent respectively.

Both experiences were highly destabilising because of the conflict between domestic and external policy requirements. Will the

# Weekend Investor

Wall Street

## The bulls gallop on aimlessly

John Authers on how the Dow and the Nasdaq took different routes upwards

The bulls had two runs during 1996, and were still galloping, albeit rather aimlessly, as the year came to a close. Those two runs sandwiched a frightening correction in July, but the net result was that all the most widely consulted indicators were much stronger at the end of the year than at the beginning.

By the end of last week, the last full week of trading in 1996, the Dow Jones Industrial Average, the venerable but still closely watched index of 30 blue-chip stocks, was up 26.7 per cent, and the younger more vigorous Nasdaq composite index up 22.5 per cent.

But it is misleading to look at the year as two snap-shots in January and December. As seen the Dow and the Nasdaq took very different routes on their way up. While technology stocks powered the market forward until July, with blue-chip lagging, it was the Dow constituents, in the main, which led the market away from the correction.

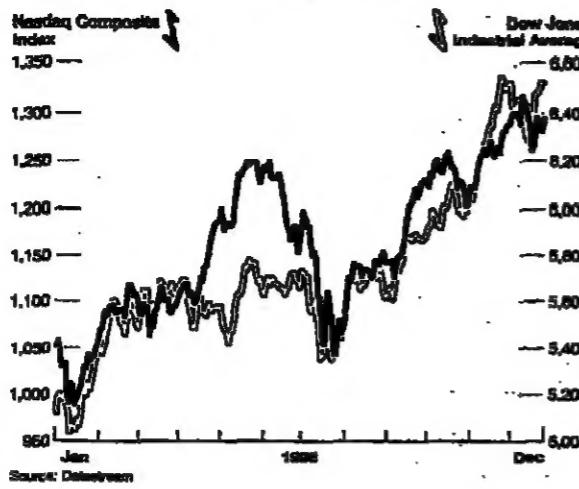
First came the technology-powered bull run, which took the S&P 500, the broadest indicator of market strength, up 9.3 per cent by mid-May. The Nasdaq fared much better, gaining 26.3 per cent by its high in the first week of June from its low point in January.

This period now seems to be typified by the mania which seemed to surround Internet stocks. Yahoo!, producer of a systems for searching the Internet, briefly registered a market capitalisation of \$1bn, after its April flotation, despite revenues since its foundation of only \$3m. The Dow meanwhile was making more stately progress, gaining 10.6 per cent by its high at the beginning of July.

Then the wheels came off, with the Nasdaq dropping 16.5 per cent in six weeks. Traders were worried by evidence that the economy was overheating. When the indices bottomed out at the end of July, the Dow was 6.8 per cent off its high, and the S&P off 7.8 per cent.

From there came a nervy recovery, which has yet to be seriously interrupted. This was led by the Dow, which registered a new high as early as August 22, but

Same end: different journeys



the Nasdaq, which took until October to register a new high, eventually participated to the full.

Eyes were still turned anxiously towards Alan Greenspan, chairman of the Federal Reserve, would he raise interest rates to stop economic growth leading to higher prices? In the event, most indicators pointed to a slowdown in growth later in the year, and the Fed moved interest rates just once, cutting from 5.25 to 5 per cent at the end of January. But the market lived in fear of a tightening, with every statistic suggesting a robust economy triggering panic.

The greatest direct beneficiaries of all the activity were the mutual fund companies, which attracted record new cash from small investors.

The year's strongest performing sector was semi-conductors. Last week, the Standard & Poor's sector was up 89.8 per cent for the year, led by Intel, which has become a mighty new stock market powerhouse. It developed a pleasant habit of foretelling a revision of sales forecasts upwards, which did its stock no harm.

Second to silicon chips came computer software including most Internet stocks, up 65.5 per cent. Financial companies, aided by low interest rates and the recent huge spate of cost-cutting mergers, were the other notable strong performers, with consumer finance companies up 55.6 per cent, and money centre banks up 42.7 per cent.

Down sectors included telecommunications, broadcasters, iron and steel, and, worst of all, truckers, down 21.9 per cent.

Mergers and acquisitions helped to keep the market bubbling. Consolidation hit defence and aerospace, never more dramatically than when Boeing and McDonnell Douglas finally agreed to merge earlier this month. Long-distance telecommu-

nications also looks profoundly different, with the year seeing the dismantling of AT&T, now that Lucent Technologies has been spun off, while MCI, its biggest competitor, agreed to be bought by British Telecom.

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Philip Coggan completes a year of two halves and looks at the stark differences

London

## Sharpening up the old saws

Philip Coggan completes a year of two halves and looks at the stark differences

**I**t would be nice to find some original phrase to describe the past year in the UK stock market. But sometimes one has to grab the bull by the horns and go for the cliché; it was a year of two halves.

The graph below is just one illustration of the tendency. It shows the performance of the FTSE Small-Cap index relative to the All-Share. In the first six months of the year, small companies were racing away, pipping their larger brethren by 11 per cent at one point. But in the second half, they lost all the ground they had gained.

A similar picture can be seen if you examine the performance of the All-Share or the FTSE 250 index relative to the FTSE 100. The smart money this year started off by buying smaller stocks and then from June switched to the leaders.

In the form of dividends (regular and special), buy-backs and takeovers.

Liquidity has also been healthy in the rest of the world. The US stock market wobbled in July, when it was feared that the Federal Reserve might be forced to raise interest rates. But signs of an economic slowdown emerged and Wall Street duly surged to all-time highs.

In Europe, central banks were cutting rates in an attempt to revive continental

tal economies. Growth was sluggish in many countries, as governments attempted to slash fiscal deficits in order to meet the criteria for European monetary union.

And in Japan, interest rates and bond yields stayed low as the economy remained in the doldrums; Japanese investors thus had every incentive to look for higher returns overseas.

Falling interest rates are usually good news for stock markets because corporate borrowing costs are cut and the relative attractions of holding cash are reduced.

Ironically, the UK is about the only country to break the trend. Kenneth Clarke, the chancellor, produced two quarters of a percentage point rate cuts in March and June. But by the end of October, he was forced to how to press from Eddie George, the governor of the Bank of England, and increase rates by a quarter point.

For a time, that seemed to have capped the UK market's progress, as Footsie slipped back from the high of 4,073.1 it recorded on October 21. But the traditional end of year rally has come to the index's rescue in the last few days.

Overall, conditions were favourable. Interest rates were low in nominal terms, economic growth was steady, corporate earnings and dividends were rising, and inflation, while edging up, was subdued.

The switchback performance of smaller companies is harder to explain. They had underperformed in 1996 so their strong run in the first half may have involved



All in the game over the moon and sick as a platitude

couple of per cent or so will undoubtedly feel pleased.

Step forward Ian Harnett, once of SOST, now of NatWest, who started the year with a 4,000-4,250 range. Some might complain that such a wide range is an easy target to hit but Harnett was still the most bullish.

Almost as pleased must be Richard Jeffrey of Charterhouse and Mark Tinker, then of James Capel, now at UBS, who both predicted that Footsie would end the year at 4,000. Those forecasts were close enough to satisfy any reasonable client.

Most other analysts opted for the 3,700-3,900 range, predictions which looked set to come true by the middle of the year. As the market rallied, some were forced to move up their forecasts.

Finally, what of the O'Higgins system, oft mentioned in this column as a stock-picking method? This takes the 10 highest-yielding shares in the FTSE 100 and, of those, picks the five with the lowest nominal share prices.

The system has not worked well recently and a portfolio picked on March 28, which contained market laggards such as BTR and Hanson, has performed abysmally. The same exercise in June has at least managed a small gain but, thanks again to Hanson, is trailing behind the All-Share.

Believers in the system (and Hanson shareholders) will be hoping for better times in 1997.

Barry Riley

## Old themes for a new year

Globalisation, not irrationality, is the underlying factor

**I**n its dying days, the old year has been giving a reminder of the enduring strength of the forces that have driven the securities markets for a long time now. We can note the extreme strength and increasing overvaluation of Wall Street, but also the obstinate – and even alarming – weakness of Japanese equities.

A common strategic mistake about Wall Street by global fund managers – especially those based in London – has been to assume that departures from fair valuation will be swiftly corrected through a strong natural tendency for reversion to the mean.

But we need a forward-looking analysis of global capital flows rather than backward-looking scale of standard valuation benchmarks. It is too easy to say that Wall Street is heading for a shakeout, but when? Market timing is a very risky game: the Horsemen of the Apocalypse may be sacked long before Armageddon finally arrives.

So far, the 1990s is turning out to be the decade of the central banks. Manipulation of currencies runs to the colossal scale of hundreds of billions of dollars. There is a vast expansion of central bank reserves.

In the longer term, if they

can be sustained, these policies will stoke up growth and inflation. A new commodities boom is looming, and we may see the beginnings of it in 1997. In the short run, though, the main effect is to generate in certain financial asset markets what the chairman of the US Federal Reserve Board Alan Greenspan earlier this month described as "irrational exuberance". But that the increasingly desperate efforts of the Bank of Japan to prevent a financial meltdown in Tokyo should blow up a bubble faraway on Wall Street reflects not irrationality but the impact of globalisation.

The disaster scenario is easy enough to spell out. A widening US trade gap could prompt pressure by the American government on the Japanese, Chinese and other far eastern exporting states to allow their currencies to rise against the dollar. In any case, the central banks of these countries may eventually choke on the dollar bonds they are piling up, which pose a huge currency risk to them. If they stop buying dollar securities, yields on US Treasury bonds will rise and the Wall Street bonanza will finally be over.

I am not sure that we are

very close to the end of this game yet. I do expect, however, that the dollar will become generally weaker in 1997. That will encourage US investors to look overseas. Wall Street's bull market should therefore cool and spill over into some of the emerging markets which have (aside from

yields. It would not take much to trigger a rise in dollar interest rates, though in depressed Continental Europe D-mark and French franc rates may not quite have troughed yet. The big decision here, however, would be an upwards move in Japanese short-term rates from their 15-month peg at 0.5 per cent. It is quite likely to happen later in 1997, but it does not look imminent.

A growth shock would certainly affect the UK. All the latest statistics – for retail spending, unemployment, house prices and money supply – show that the planned pre-election boom is under way. The Treasury forecasts economic growth of 3.5 per cent, and subjectively it feels like more, although the overall expansion rate is being held down by the sterling-related weakness of manufacturing, which, typically, is the sacrificial victim of electoral priorities.

With ministers busy boasting about house price rises, general inflation will stay above the government's 2.5 per cent target in 1997 although sterling's strength may allow the underlying rate to drift down from the present 3.8 per cent in the early part of the year. A more worrying acceleration of inflation seems almost inevitable in 1998 and the prospect will make the Bank

of England increasingly agitated. One small interest rate rise is likely before the election, and two or three more afterwards.

Whether the impending overdose of the feelgood factor will come in time to save the Conservative government still seems doubtful. But the probability of a swing to Labour has already been partly priced into UK equities, which have underperformed stocks in both the US and the rest of Europe in 1996.

The big problem remains uncertainty about dividends, which would be threatened by company tax changes from a Labour chancellor of the exchequer. Meanwhile the valuation basis of the London stock market remains flat, although by no means as excessive as that of Wall Street. On balance, share prices could still make progress if underlying company earnings continue to rise but this is a mature market and it will be a year for stockpickers rather than index-trackers.

Finally, on a bullish note, there is the outside chance of a move by Labour to embrace European economic and monetary union. That would bring a sharp rise in gilt-edged prices and send shares up too. But it is a long shot.

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